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NATIONAL FINANCE:

A REVIEW OF THE POLICY OF THE LAST TWO PARLIAMENTS,

AND OF THE

RESULTS OF MODERN FISCAL LEGISLATION.

By JOHN NOBLE.

AUTHOR OF "FISCAL LEGISLATION, 1842-1865;" "THE QUEEN'S TAXES: AN INQUIRY INTO THE AMOUNT, INCIDENCE, AND ECONOMIC RESULTS OF THE TAXATION OF THE UNITED KINGDOM," ETC., ETC.

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PREFACE.

In a former work, entitled "Fiscal Legislation, 1842-1865," the author endeavoured to present a "clear and concise narrative of the fiscal changes adopted during that period, and of their effects upon the revenue, trade, manufactures, and employments of the United Kingdom." The favour with which that volume was received has induced him to comply with the request of many of his friends, by continuing the narrative to the present time. It is, no doubt, true that the measures of the period comprised in this volume are not equal in interest or importance to those of the time when the foundation of our modern system of finance was laid, and when the principle of protection to native industry, the fallacy of which had long been demonstrated, was successfully attacked and routed from one stronghold after another. The policy of the last Parliament is, however, by no means devoid of interest, and the discussions which took place, upon the proposals of Mr. Lowe, involved the consideration of the fundamental principles upon which the collection of the public revenue should be based. The narrative of the debates upon taxation and expenditure, which occurred during the nine

years included in this volume, has been carefully compiled from "Hansard," and it has been the endeavour of the author, while not disguising his own convictions, to represent the opinions of the various speakers with the strictest accuracy and impartiality.

In that portion of the work which deals with the results of modern fiscal legislation, it has been found desirable to enlarge the sphere of the enquiry and to place on record, in a more complete form than was possible at the time when the author's former volume was published, the marvellous growth of national prosperity that has taken place as the consequence of free trade legislation. In the chapter which deals with the results as affecting the working classes, there are some valuable statistics as to wages and the prices of food, many of which have been obtained by the kind enquiries of friends, whose co-operation the author gratefully acknowledges. Although not within the original scope of the work, he has added chapters on the incidence of taxation and the finance of the future, which he trusts will prove useful contributions towards the settlement of questions yet under discussion.

NATIONAL FINANCE.

CHAPTER I.

INTRODUCTION.

"If men had always been secured in person and property, and left at full liberty to employ both as they saw fit; and had merely been precluded from unjust interference with each other—had the most perfect freedom of intercourse between all mankind been always allowed—had there never been any wars—nor (which in that case would have easily been avoided) any taxation—then, though every exchange that took place would have been one of the phenomena of which Political Economy takes cognizance, all would have proceeded so smoothly, that probably no attention would ever have been called to the subject. The transactions of society would have been like the play of the lungs, the contraction of the muscles, and the circulation of the blood, in a healthy person; who scarcely knows that these functions exist."—*Whately's Introductory Lectures on Political Economy*, 1831.

There is no branch of the Science of Political Economy to which the above extract from Archbishop Whately is more applicable than it is to the question of Taxation. It was not until a long continued depression of trade and industry, consequent upon

unwise fiscal legislation, became inveterate, and the revenue exhibited a condition of chronic deficiency, that any effective steps were taken to relieve commerce from the heavy burdens which had been imposed upon it by unwise war taxation. Nor was that depression in itself sufficient to ensure the adoption of free trade in corn and other necessaries. It required the failure of the wheat and potatoe crops, in 1845, to convince our statesmen that the claim of the people to the free importation of food ought to be conceded, and even then the stimulus of the Irish Famine was necessary to ensure the immediate opening of the Ports for the free admission of the superabundance of other countries.

The financial history of Great Britain and Ireland, since the first imposition of duties of Excise in lieu of the old feudal tenures, has consisted mainly in two processes :—the putting on, and the taking off, bad taxes.* It was not, however, until the great French War that oppressive taxation reached its culminating point. The total amount of the expenditure of Great Britain and Ireland, in the year 1792, was, in round numbers, £18,000,000; two years later, in 1794, it reached £30,000,000, and continued to increase until, in the year 1814, it reached the enormous total of £112,917,042, of which sum £33,920,300 was raised by loans, £77,887,336 by taxation and other ordinary

* This has arisen from departing from the old constitutional way of raising taxes, which is fully explained in a valuable pamphlet issued by the Anti-Corn Law League, but now out of print, entitled, "The Constitutional Right to a revision of the Land Tax." For a summary of the facts relating to the Land Tax, see "The Queen's Taxes." Longmans and Co. See also Inland Revenue Report, 1870. Vol. I. pp. 108—116.

sources of revenue, and the remainder out of the balances in the Exchequer.*

In order to meet this growing expenditure, fresh taxes were, year after year, imposed upon the people, until, at length, there was hardly an article that could be eaten, drank, worn, or used, that was not taxed. There was, it is true, no tax laid upon air or water, but the beneficent influence of the sun, as a sanitary agent, was made subject to tribute, and its rays were taxed by means of the window duty. To look through the list of articles on which duties were charged excites feelings nearly akin to horror. It seems like the work of some fiendish imp of the nether regions, some demon, alike the enemy of a beneficent God and of his creature man. Everything that was useful, or good, or beautiful in nature or in art; everything

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* The impolicy of the funding system is clearly shown in the Parliamentary Return of Public Income and Expenditure (No. 366, Sess. 1869) part 1, pp 432-3, 438-9, part 2, pp. 148-9. The following is a summary of the National Income and Expenditure during the period embraced between the year ending 10th October, 1793 and the year ending 5th January, 1816 :—

Total expenditure for Civil Purposes, Army, Navy, and War	£1,103,551,940
Interest and Management of National Debt during the same period	£474,975,541
	£1,578,527,481
Total Income during same period from Taxation and Miscellaneous Receipts	£1,149,654,388
Raised by Creation of Debt, £1,276,108,711, less Repayment of Debt during same period, £824,223,173, leaving a net Receipt from Creation of Debt of	£451,885,538
	£1,601,539,926
Surplus	£23,012,445

It will be seen from the above account that the whole of the money raised by creation of debt was required to pay interest and management of debt, not for the purposes of the war. The revenue, exclusive of monies raised by borrowing,

that was sweet to the palate, wholesome for the body, needful for raiment, grateful to the eye, or pleasant to the taste or smell, was taxed. All the fruits of the earth, everything that was necessary to eat or drink, with some exceptions, and they were prohibited; the rich man's sauce and the poor man's vinegar, the wines and spirits that inebriate and destroy, the medicine that heals, and the poison that kills; everything that grew upon the face of the earth, or was produced from the waters under the earth, all were taxed, ruthlessly taxed—as if, by malignant and preconceived intention, it had been determined that nothing but things in the heavens above should be exempted, and, as if this were not sufficient to crush the people, a system of protection

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shows a balance of £46,102,448 over the expenditure for all purposes except the debt. Deducting this sum from the cost of the debt for the same period, £474,975,541, the net amount to be provided for on account of debt was £428,873,093, to meet which £451,885,538 was raised by creation of debt. This was not, however, the full extent of the evil; according to the same return, part 2, p. 545, the cash received into the Exchequer on account of the loans raised during the French War was £493,608,261 while the amount of stock created was £773,685,839, or above £280,000,000, in excess of the money received. This debt, it has already been shown, was not necessary to defray the expenses of the war, but was actually raised to meet the interest upon the debt which existed before the war; the charge of the debt before the war was in round numbers £9,500,000, and for the whole period of the war £221,000,000; the surplus of £46,000,000 revenue over expenditure, exclusive of debt, would reduce this sum to £175,000,000, to meet which the debt was increased by £622,000,000. Well did Dr. Chalmers, in his work on Political Economy, Appendix D, speak of the vital impolicy, prodigious infatuation, nay, insanity of the funding system. For a further elucidation of the folly of the proceeding, see Mr. Gladstone's Financial Statement for the year 1853, in which he demonstrates that the debt need not have existed if there had been resolution enough to submit to the Income Tax at an earlier period of the war than 1806, when it first became an effective instrument of finance

was maintained for the supposed benefit of landowners, manufacturers, shipowners, and Colonial proprietors, which effectually deprived the people of that liberty to use their industry and their property for their own advantage, which, according to the principles of Political Economy, is essential to their well-being. Perfect freedom of intercourse between all mankind is a consummation not yet reached even in this country, which professes to be the home of Free Trade.

After the war had terminated, in 1815, the condition of affairs was not materially altered. The first tax abolished was the Income Tax, then yielding £14,500,000, while the far heavier burdens upon the community imposed by Customs and Excise, and especially by protective duties, were allowed to remain. It needed a long career of vicissitudes in order to compel public attention to the real cause of the evils which afflicted the body politic, and to enable the first steps to be taken towards a more sound and healthy system of taxation. A similar policy was pursued on the termination of the Russian war; the war Income Tax was repealed, the war duties on Tea and Sugar were retained. Upon both those occasions, however, the working men were unrepresented in Parliament; now that they are enfranchised it is to be hoped that they will look after their own interests and exercise a powerful influence in favour of more equitable arrangements in the framing of future budgets.

The details of the fiscal reforms which were commenced in 1842 and continued, with some slight

interruptions, down to the present time, have been narrated by the author in a previous volume, so far as the period embraced between the years 1842 and 1865 is concerned.* A short summary of the changes effected during that period is, therefore, all that is necessary in this volume.

It will be remembered that in 1840 the Whig Government endeavoured to provide for the deficiency by adding 5 per cent. to the Customs and Excise, and 10 per cent. to the Assessed Taxes. So far as the former were concerned the scheme was a signal failure, while the increase in the Assessed Taxes was about equal to the amount anticipated. This fact gave Sir Robert Peel the clue to the policy which he pursued in 1842, when he revived the Income Tax, for the purpose of restoring equilibrium in the National Finances and of enabling him to repeal more oppressive taxes. His Budget of 1842 removed prohibitions upon importation, and reduced Customs duties that were so high as to be prohibitory. It reduced duties on raw materials to a maximum of 5 per cent., on articles partly manufactured to one of $12\frac{1}{2}$ per cent., and on articles wholly manufactured to 20 per cent. In 1845, when the three years, for which the Income Tax had been imposed, expired, it was renewed for a similar period in order to enable him to effect further reforms. In that year 430 articles were entirely swept away from the tariff, and the duty on many other articles was reduced.

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* Fiscal Legislation, 1842—1865. Longmans & Co.

The Excise on Glass was also abolished, and the Auction duty changed into an Auctioneer's license. In 1846 he proposed the repeal of the Corn Laws, to take effect on the 1st February, 1849; repealed the duties upon many raw materials; materially reduced the duties upon manufactures and many articles of food; and admitted food of the animal class, both alive and dead, free of duty.

These measures completed the reforms carried through Parliament by Sir Robert Peel. His Government was succeeded, in 1846, by that of Lord John Russell under whose auspices the Navigation Laws were repealed, the Sugar and Timber duties were reduced, and the excise on Bricks abolished. During the short tenure of Lord Derby's first Administration, in 1851 and 1852, there were no financial changes,* and the rejection of Mr. Disraeli's abortive budget led to the resignation of the Ministry and the introduction of Mr. Gladstone to the office of Chancellor of the Exchequer.

By the Budget of 1853 the Income Tax was renewed in order to secure further fiscal reforms. The excise on soap was abolished, 123 articles were entirely set free from Customs duties, and 133 others were reduced. The general principles of this Budget were abolition of unproductive duties and of duties on manufactures, except in some special cases (in-

* Mr. Disraeli proposed to repeal half the Malt Tax, and to reduce the Tea duty by instalments to a shilling, but coupled these measures with such outrageous proposals for the benefit of the landowners at the expense of householders in towns, that he was compelled to resign upon a division adverse to his proposed extension and increase of the House Tax.

cluding silk) and the reduction of duties upon articles of food. Unfortunately for the working of Mr. Gladstone's great experiment the intervention of the Crimean War necessitated increased taxation. The progress of financial reform was stayed, and was not resumed until 1860, when Mr. Gladstone again proposed a large remission of Customs Duties in connection with the French Treaty that had been negociated by Richard Cobden. By the budget of that year the remaining duties on manufactures and upon many articles of food were repealed, the number of articles in the Customs Tariff being reduced to 48 (not reckoning sub-divisions) and the bulk of the revenue being raised from 15. In 1861 the Paper Duty, which was repealed by the Commons, in 1860, but continued for twelve months longer by a vote of the House of Lords, was finally abolished, and in 1863, 1864, and 1865 the duties on tea and sugar were largely reduced.

The net amount of Customs and Excise duties remitted from 1842 to 1865 was, above £19,000,000, notwithstanding which the gross revenue from these sources increased from £38,000,000 in 1841 to £41,000,000 in 1865, a recovery of £22,000,000. The value of the exports of British and Irish produce, which for a long period had been stationary, increased from £51,545,116, in 1841, to £165,835,725, in 1865. In the last named year the total Foreign trade of the United Kingdom reached the sum of £489,903,861, an increase over the year 1855, which was the first year that real values of both imports and exports were ascertained, of no less a sum than £229,669,711.

The benefits conferred upon every section of the community by the fiscal policy pursued during the above named period are patent facts, which have been amply demonstrated in the volume to which reference has already been made It now remains to record the changes that have been introduced into the financial system of the United Kingdom since 1865, and to ascertain the influence that they have exercised upon trade, manufactures employment, and the value of property.

CHAPTER II.

THE SESSION OF 1866.

The General Election of 1865 returned a considerable majority in support of the existing administration, but its career was terminated, in October of that year, by the death of its head, Lord Palmerston. The long era of quiet which had been maintained by a chief, whose official career dated from the year 1807, and whose political principles, with the exception of finance, were those of a past generation, was broken. Earl Russell succeeded him as Prime Minister; Mr. Gladstone, who retained the Chancellorship of the Exchequer, became leader of the House of Commons; and the assembling of the new Parliament, in February 1866, was the commencement of a constitutional struggle which culminated in the Reform Acts of 1867 and 1868.

The financial business of the session was inaugurated by Mr. James White, who moved a resolution demanding a reduction in the national expenditure, on the ground that it had of late years been excessive, was taken in great measure out of the earnings of the people, and formed in no small degree a deduction from a scanty store which was inadequate to secure them a sufficiency, not of the comforts of life, but even of the prime necessaries of food, of clothing, of shelter, and of fuel. The motion was withdrawn,

after an interesting and useful debate, in which Mr. Gladstone expressed his conviction that it was mainly by the efforts of self-sacrificing independent members, who would devote their time, energy, and labour to the wearying, irksome, and self-denying task of making themselves thoroughly acquainted with a mass of details, that the objects of the motion could be attained.

A noteworthy feature of this debate was a defence of the existing system of taxation by Mr. Samuel Laing, formerly Finance Minister in India. Contending for its perfect fairness, in reply to strictures passed upon it, on account of its oppressive character as respected the working classes, he spoke as follows:

"But it has been said that although the position of the people has improved, and although the taxes have been more productive, yet they are unfairly levied. The upper and middle classes have been charged with having misused the political power vested in them by relieving themselves of a fair share of the burden of taxation, and thrusting this burden upon the shoulders of the working classes. But what are the facts? Where has the money come from which made financially possible the consideration of the well being of the working classes, and the freeing of industry by numerous revisions of taxation? Why, those very upper and middle classes, in whom political power has been vested, voluntarily submitted to a large share of taxation, in order to give the working classes the benefit of the reductions I have enumerated. The Income Tax was imposed, the Succession Duty was increased, and taxes were imposed in the nature of stamps upon transfers of property."

This is, no doubt, a charming picture of disinterestedness on the part of the upper and middle classes, who, according to Mr. Laing, have voluntarily assumed irksome burdens with the sole object of relieving the working classes from taxation; but

what are the facts? Can it be said that capitalists, merchants, manufacturers, traders, and landowners, have derived no advantage from the remissions of Customs and Excise which have been rendered possible by the imposition of direct taxation? Has not the enormous expansion of trade which resulted from these measures benefited every section of the community? An increase in the exports of British produce and manufactures, from £1 18s. 6d. per head of the population, in 1841, to £5 11s. 1d. per head, in 1865, cannot have taken place without increasing the profits of capital, the gains of trade, and the value of real property, as well as the wages of labour.

That this has been the case is proved by the Income Tax returns. It is true that during the first eleven years of the tax there was comparatively little increase, the net amount of profits assessed under Schedule D having been £57,663,497, in 1842-3, and £58,645,027, in 1852-3. During that period there were several deficient harvests, the failure of the potatoe crop, and the Railway panic of 1847, which materially affected the progress of the country. The foundations of commercial prosperity were, however, being slowly laid, and a marvellous change took place during the next thirteen years, which bring us down to the period of Mr. Laing's speech. In 1853-4 the Income Tax was extended to Ireland, and incomes from £100 to £150 were brought within its scope, the net amount of profits assessed in that year, under Schedule D, being £79,566,640. In the year 1865-6 the assessment under that Schedule reached no less a sum than £120,147,695. The net assessments, under

Schedule A for the same years, were as follows:—1842-3, £85,721,760; 1852-3, £95,577,325; 1853-4, £114,241,477; 1865-6, £154,119,601.* The records of the Probate Administration and Inventory duties reveal a similar series of facts. In 1843 the amount realized by these imposts was £998,965, in 1866 it reached £1,690,968; the total amount produced by these duties for the ten years ending 1852 was £10,703,444, while for the ten years ending 1866 it was £14,356,231.† The increase of 1851-2 over

* The following are the complete returns of the Net Assessment for the two periods named. During the whole of these years Quarries, Mines, Ironworks, Fisheries, Canals, Railways, Gasworks, &c., since transferred to Schedule D, were assessed under Schedule A. Inland Revenue Report, 1870, Vol. II. pp. 193, 195.

Great Britain.

Year ending April 5	Schedule A	Schedule D
1843	£85,721,760	£57,663,497
1844	84,744,857	54,224,228
1845	85,146,034	54,129,223
1846	88,666,251	58,288,109
1847	89,299,542	60,107,116
1848	90,965,554	59,511,547
1849	94,422 994	53,983,413
1850	93,523,062	53,429,056
1851	93,455,657	54,526,324
1852	94,874,502	56,877,553
1853	95,577,325	58,645,027

Great Britain and Ireland.

Year ending April 5	Schedule A	Schedule D
1854	£114,241,477	£79,566,640
1855	115,523,822	79,688,807
1856	116,734,782	78,887,720
1857	117,957,430	80,246,810
1858	127,299,291	84,724,589
1859	127,859,783	84,811,876
1860	128,758,283	89,001,012
1861	131,680,495	89,605,522
1862	138,862,376	93,691,061
1863	139,555,566	97,996,607
1864	140,917,695	100,212,832
1865	150,682,260	110,105.766
1866	154,119,601	120,147,695

† The following are the detailed receipts for Probate, Administration, and Inventory duties during the period named. Inland Revenue Report, 1870, vol ii., pp. 154, 156:—

Year ending 31st March.	£	Year ending 31st March.	£
1843	998,965	1857	1,241,007
1844	1,027,884	1858	1,270,913
1845	1,095,806	1859	1,338,089
1846	1,054,575	1860	1,333,206
1847	1,147,025	1861	1,394,814
1848	1,041,497	1862	1,419,166
1849	1,107,587	1863	1,443,023
1850	1,031,402	1864	1,582,173
1851	1,063,401	1865	1,642,872
1852	1,135,302	1866	1,690,968
	10,703,444		14,356,231

1842-3 was only £136,337, or 13 per cent., while the increase of 1865-6 over 1856-7 was £449,961, or 36 per cent. Whether we test the effect of the reductions of taxation, referred to by Mr. Laing, upon the upper and middle classes by the growth of income, or by their accumulations of personal property, it is evident that they derived great advantages from such reductions and that the benefits of the new policy were not monopolized, as he would make it appear, by the working classes.

It is, moreover, not consistent with facts to assert that the middle and upper classes submitted to extra taxation, in order to give the working classes the benefit of remissions. Every class obtained its share of such relief, the sole difference in the case of payers of Income-tax being that a portion of their burden became apparent instead of being concealed in the prices of commodities. At the time when Mr. Laing was speaking the Income-tax produced a revenue for the year of £6,390,000, the Succession duty one of £615,255,* while the additions to the Stamp Duties existed only in the fertile imagination of the speaker. Here, then, we have a burden of £7,000,000, but against this we have to place a remission of Customs and Excise amounting to £19,000,000, of which a considerable portion was levied upon commodities consumed by the upper and middle classes. During the period under review reductions of taxation had

* Mr. Gladstone estimated this duty would ultimately produce £2,000,000 per annum; its opponents fixed its yield at £4,000,000. The result has disappointed the expectation of friends and foes alike, owing, it is believed, to a considerable extent to the practice of evading the law by means of settlements.

been effected upon the following articles: Foreign Spirits, £500,000; Wine, £1,000,000; Silk Manufactures, £470,000; Cigars and Manufactured Tobacco, £74,000; Windows, £1,278,000; Fire Insurances, £775,000. In these five articles alone there was a remission of taxation paid by the upper and middle classes to the extent of above £4,000,000, to say nothing of their proportion of the direct benefits derived from the entire repeal of other Customs Duties. If we turn to the records of the Excise during the same period we find there has been a net remission amounting only to £242,000, notwithstanding the entire repeal of the duties on Auctions, Bricks, Glass, Hops, Paper, Soap, and Vinegar, which produced, according to the Statistical abstract, £4,300,000, and fell to a very considerable extent upon the payers of Income Tax. In what way was the increase in the produce of the Excise obtained? Mainly by additions to the Spirit Duties. The Customs Duty on Foreign Spirits, consumed by the upper and middle classes was reduced from 22s. 10d. to 10s. 5d. per gallon. The Excise upon British Spirits, mainly consumed by the working classes, was increased from 7s. 10d. in England, 3s. 8d. in Scotland, and 2s. 8d. in Ireland, to a uniform duty of 10s. The duty on wine was reduced, in 1860 and 1861, at an estimated relief to the consumer of £1,075,852, while the malt tax imposed on the beverage of the masses was not touched. The duty upon foreign cigars was reduced from 20s. to 5s. per pound, while the poor man's tobacco remained subject to a tax of above 600 per cent. upon its value. In the face

of facts like these it does not appear that the burden of taxation has, even yet, been fairly apportioned among the different classes of the community; and the idea that the working classes have been peculiarly favoured by recent revisions of taxation is completely exploded.

The question of the Malt Tax was brought before the House of Commons, on the 17th April, by Sir Fitzroy Kelly, who moved a resolution pledging the House to take that tax into its consideration upon any future remission of indirect taxation, with a view to its immediate reduction and ultimate repeal. In the course of his speech he expressed his approval of all that had been already done in remitting indirect taxation, and only complained that this great article of consumption by the working classes had not been touched. That he was not of the same opinion as Mr. Laing in respect to the incidence of taxation was shown in the following question which he propounded to the House :—

"On what principle have you reduced the duty on wine from 5s. 9d. a gallon to almost a nominal sum, to 2d., or 3d., or 4d., or 5d. a bottle on your Lafitte, your finest Chambertin, claret, and Burgundy, while you retain a tax of some 30 or 33 per cent. on beer ?"

An amendment was moved by Mr. Neate affirming the expendiency of making provision for the systematic redution of the National Debt instead of repealing or changing taxes, if likely to be attended with a diminution of revenue. Mr. Neate did not defend the Malt Tax, but urged the adoption of measures to supply the deficiency, in case of its repeal, by fresh taxation, towards which the landed interest

should contribute in proportion to the benefit they would derive from its abolition. Mr. John Stuart Mill strongly supported the amendment on the ground of the approaching failure of our coal supplies, as predicted by Mr. Jevons, and the duty we owe to posterity not to leave them with such a heavy burden to be met out of diminished resources.

Mr. Gladstone hoped the amendment in favour of reducing the debt would be withdrawn, as the subject was too important to be dealt with in a manner purely incidental, and he intended to make some observations upon it in his financial statement. He also opposed the motion on the ground that the repeal of the Malt Tax without a substitute would be the death-warrant of Indirect Taxation,—a change, he believed, beyond human power in any proximate circumstances to carry into effect. The amendment having been withdrawn, a division was taken upon Sir Fitzroy Kelly's motion, when 150 voted for, and 234 against it. Majority 84.

Mr. Gladstone made his Financial Statement on the 3rd of May, and, after alluding to the warm debates and sharp crisis of the previous week, when the second reading of the Government Reform Bill was only carried by a majority of five, congratulated the House that in the Budget they would not become involved in any angry controversy. It was again his good fortune to deal with an expected surplus, though not so large as in the last three previous years, when he had an average of £3,500,000 to dispose of annually. The following table gives his estimate for the year just closed and the actual result:—

Estimated Revenue...	£66,392,000.	Actual Revenue...	£67,812,292
Amount voted as per Appropriation Act.	66,147,000.	Actual Expenditure, (including New Zealand War, £764,829)	65,914,357
Anticipated Surplus...	£245,000	Actual Surplus ...	£1,897,935

It will be seen from these figures that the revenue exceeded the estimate by the sum of £1,420,292, and that there was a saving in expenditure, compared with the votes, of £232,643. The actual loss of revenue, compared with the previous year, which Mr. Gladstone had estimated at £4,028,000, was only £2,386,000, notwithstanding the fact that large reductions of taxation had taken place, of which £3,778,000 fell on the financial year just terminated.

The remissions effected in 1865 were the reduction of the Tea duty from 1s. to 6d. per pound, of the Income Tax from 6d. to 4d. in the £, and of the Fire Insurance duty to a uniform rate of 1s. 6d. per cent. Mr. Gladstone anticipated a loss, in consequence of these reductions, from Tea of £1,868,000, Income Tax £1,650,000, and Fire Insurance £260,000. His estimates, so far as regarded these duties, were singularly accurate, the actual loss on Tea being £1,869,392, on Income Tax £1,568,000, and on Fire Insurances £272,000. The consumption of tea increased during the year 1865, although the reduced duty was only in operation from the 1st of June, by above 9,000,000 lbs.; the consumption of 1866 was above 4,400,000 lbs. in excess of 1865, and above 13,600,000 lbs. more than in 1864.

The total expenditure for the year ending 31st March, 1867, was estimated at £66,225,000, and the

Income at £67,575,000, leaving an expected surplus of £1,350,000, of which £562,000 was appropriated to remission of taxation, and £502,000 to meet an increased charge for the current year in connection with a proposition for the further reduction of the National Debt, leaving a net surplus of £286,000. The following were the proposals of the Budget with respect to taxation, showing the anticipated loss to the revenue for the current year:—

	£
The entire repeal of the duties on Timber from the 1st April, 1866	307,000
The equalization of the duties on Wine in bottle and in wood	58,000
The entire repeal of the duty on Pepper ...	112,000
The reduction of the Mileage duty on Stage Coaches from 1d. to ½d. per mile, and a reduction of the Post Horse duty	85,000
	£562,000

The Income Tax was renewed at 4d., and the Tea Duty was continued for one year. In proposing the repeal of the duty on timber, Mr. Gladstone described that impost in the following words:—

"The duty on timber is a very low duty, and that is the best and only thing that can be stated in its favour. In any other point of view, the duty on timber is as bad a duty as it can be. It is a protective duty on a raw material of which this country stands in great want; which is of vast bulk, and thus in any case made costly by carriage. The imposition of the duty, which has the effect of greatly increasing this cost, and which also as far as it goes has a protective character, is the very essence and quintessence of political folly."

There can be do doubt that this was a most accurate description of these duties, nor can there be a question as to the wisdom of having swept them entirely away. It may, however, be urged that other

duties still unrepealed, even in the year 1874, are equally objectionable. What, for example—to say nothing of tea and coffee—can be said in favour of the duties on currants, raisins, marine insurances, patents for inventions, many trade licenses, and other taxes which produce an insignificant contribution to the revenue, while they harass trade?

If it were not the fact that objections have been taken very recently by speakers of eminence in the House of Commons to the repeal of Customs duties, like those levied upon wood, timber, corn, and other articles, it would appear unnecessary to repeat the arguments which justify such remissions. It appears, however, that there are those whom no amount of experience will convince, hence the necessity of reiterating again and again the facts of the case, as illustrated in past experience. The history of the Wood and Timber Duties upon the import and consumption of that article is very clearly shown in the following extract from Mr. Gladstone's Financial statement:—

"The consumption of timber in this country is remarkable. In 1811 the consumption of timber amounted to 417,000 loads. At that time the duties were augmented, and in 1814 the consumption fell so low as 218,000 loads. However, the growing wealth of the country brought about a gradual increase; and I will pass over the long period of years to 1841, from which time the House will observe that every reduction of duty has been answered by more than a corresponding increase in the use of this essential material. In 1841 the total consumption was 829,000 loads. In 1842 the duty on foreign timber was reduced from 56s. 6d. to 31s. 6d., and on colonial timber from 11s. 6d. to 1s. The reduction only took effect in Oct. 1842. In 1843 the consumption was 1,298,000 loads. In 1850 the consumption was 1,723,000 loads. In that year the duty

on foreign timber was further reduced from 15s. to 7s. 6d, and on deals from 20s. to 10s. The consequence was that, from a consumption of 1,723,000 loads in 1850, the consumption rose until, in 1859, it reached 2,408,000 loads. In 1860 we went to work again, and further reduced the duty from 10s. to 2s., and from 7s. 6d. to 1s. At that time a highly respectable gentleman from the colonies, who represented Launceston (Mr. Haliburton) predicted that ruin would sweep down upon the timber industry of New Brunswick; but the consumption of all kinds, which in 1859 was 2,408,000 loads, actually had increased in 1865 to 3,700,000 loads, or to sixteen times the consumption of 1814. Of this augmentation the British Colonies have no reason to be discontented with their share."

The comparison of consumption cannot be continued further, as the abolition of the duty has done away with bonding, and thus prevented a continuance of the necessary accounts. The imports, however, show a marked expansion, having been 29,824,744 loads during the seven years ending 1872, as against 24,310,555 loads for the seven years ending 1865, an increase of above 5,500,000 loads. It may, no doubt, be said that the increase is not altogether due to the reduction of the duty, but that other causes have created a demand in excess of previous periods. This may be the case to some extent, but to doubt that increased consumption of articles of commerce invariably follows the reduction or repeal of Customs duties, is to deny all the facts of our commercial experience, in the face of the most conclusive evidence.

In the course of his speech, Mr. Gladstone quoted a number of statistics showing the advantages that had resulted from the French Commercial Treaty; he also referred to the treaties negociated with Turkey, and with Belgium, Italy, and the Zollverein, by means of which we had secured the same advantages as France

through the operation of the most favoured nation clause. He then described the recent treaty with Austria as one of a more notable description than any others that had been negociated since Mr. Cobden's treaty with France, that country having been most exclusive in its commercial relations. It had, however, now abandoned the principle of prohibition and greatly reduced its protective duties. It was true the French standard was adopted, but he had hopes that it would be greatly reduced. One thing was certain, Austria had taken a most important step in the direction of commercial freedom. The remission of the timber duties, good as it was in itself, had the additional advantage that it had assisted the Austrian Government in bringing the negociations to a satisfactory issue. This was also the case with the alteration in the wine duties by which wines of low alcoholic strength, which could only be imported in bottle, were in future to be admitted at the same rate of duty as wines of similar strength imported in the wood. By this measure restrictions were removed upon the importation of light wines from Austria and also from some parts of France.

Having proposed the above-named remissions of taxation, Mr. Gladstone proceeded to unfold his plan for dealing with the National Debt, and declared that he concurred in the opinions expressed by Mr. John Stuart Mill, during the debate on Sir Fitzroy Kelly's motion on the Malt Tax, that it was the first duty of Parliament, some twenty-five years previously, to direct its attention to the thoroughly unsound and ill-adjusted state of our fiscal system, and to its in-

jurious effects in restricting industry and retarding the growth of wealth; but, now we have got through a great part of that most necessary work, the time had come when we ought surely to consider the state and movement of the National Debt. He admitted that there were taxes which urgently called for reduction or even removal, but now that we had advanced so far in the path of fiscal reform the time had come for some modification in our rule of action.

He then adduced two reasons for opening this question; first, that the rising price of interest would diminish the value of the public funds; and, secondly, that as £600,000 of annuities would terminate in 1867, the House ought to consider what substitute it would provide for that annual charge in view of furthering the reduction of the debt. He then traced the history of various reductions, and showed that the point had at last been reached at which the results of the Russian war had been effaced, and the country stood where it did at the commencement of 1854. After expressing his belief that we must expect to see our debt grow at about ten times the annual rate by which we reduce it in peace, should we become engaged in any great war, and citing, with approval, the example of America, since the close of the civil war, he urged the importance of dealing with the question in a time of great wealth and prosperity. During the last twenty-five years our commerce had trebled, mainly in consequence of our mineral treasures. It was important to bear in mind that it was not the quantity of our coal, but its pro-

duction at a low price that had given us the start, and that whenever we cease to raise coal at a lower price than other countries our relative position towards other nations must be seriously injured. Labour and capital would then migrate, but the lands, houses, and works of the country would remain to bear the full burden of debt.

The reduction of debt, to take effect in 1885, proposed by Mr. Gladstone, did not partake by any means of an heroic character, and consisted, first, in converting £24,000,000 held on account of the Trustees of Saving Banks into terminable annuities, increasing the charge from £720,000 to £1,725,000 per annum; and, secondly, re-investing so much of the £1,725,000 as was not required to meet the demands of the Savings Banks in another description of terminable annuity. By means of this process it was estimated that, by the year 1885, about £37,000,000 of debt would be cancelled. The total charge undertaken by this change was £1,005,000, of which £502,000 would fall on the year 1866-67, and somewhat more than £700,000 in 1867-68. In all subsequent years from the charge of £1,005,000, the sum of £586,000, the amount of the annuities falling in during the year 1867-68, would have to be deducted, leaving a net augmentation of annual charge of £419,000.

No serious opposition was offered to these proposals, and the budget was carried through Parliament unmutilated and unaltered. Two events of importance happened during this session. On the 11th of May, Mr. Gladstone announced that in consequence of the

panic in the City, a letter had been written to the Bank of England authorising an issue of notes beyond the limit fixed by the Act of 1844, and on the 18th of June the Government were beaten, by a vote of 315 to 304, on a clause of the Reform Bill which they deemed of vital importance. On the 26th June the resignation of the Ministry was announced in both Houses. The financial policy of the year had, however, been determined before this event took place, and the remaining stages of legislation on the subject were merely formal. In the new Ministry the post of Chancellor of the Exchequer was again occupied by Mr. Disraeli.

CHAPTER III.

MR. GLADSTONE'S EIGHT BUDGETS—1859 to 1866.

When the Ministry of Earl Russell tendered its resignation, in 1866, Mr. Gladstone had filled the office of Chancellor of the Exchequer for seven continuous years, during which period a series of remarkable changes had been introduced into the fiscal system of the United Kingdom, a short notice of which will not be out of place before proceeding to review the fiscal history of subsequent years. At the commencement of his second tenure of the exchequer, Mr. Gladstone had to provide for a deficiency. The estimates for the year 1859-60, which had been prepared by Lord Derby's administration, showed a remarkable increase, being £5,597,000 more than in the previous year, and £4,867,000 in excess of the anticipated revenue. Rejecting any increase in the Customs and Excise, on the ground of the injury such a measure would inflict upon trade, Mr. Gladstone proposed, and Parliament consented, to raise the amount required by increasing the Income Tax from 5d. to 9d. on incomes of £150 and upwards, and from 5d. to 6½d. on incomes from £100 to £150. This supplied the deficiency of the year, but the Government of Lord Palmerston was not less extravagant than that of Lord Derby. In the following year the expenditure was still larger, the total amount

voted being £4,484,000 in excess of the year 1859-60, of which £3,043,896 was required for the expenses of the Chinese War. Notwithstanding this drawback, Mr. Gladstone proposed large remissions of taxation, mainly in connection with the French Treaty, to secure the advantages of which he increased the Income Tax by another penny, and equalized the duties on spirits. The estimated result of these changes was an increase on British and Colonial Spirits of £1,357,966, a decrease on Foreign Spirits of £313,745, and on Wine of £831,694. The additional penny of the Income Tax was estimated to yield £1,060,000. These and some minor changes involved an increase of taxation of £3,030,904, against which there was a reduction, mainly in the Customs, of £3,085,931. The duties entirely repealed were Butter, £104,321; Cheese, £49,395; Eggs, £24,721; Boots and Shoes, £8,619; Gloves, £64,794; Oranges and Lemons, £35,656; Rice, £25,060; Silk Manufactures, £307,244; Tallow, £74,942: other articles, nearly 400 in number, £286,498. The duties reduced were Currants, £210,580; Raisins, £45,353; Foreign Spirits, £313,745; Wine, £831,694; Wood and Timber, £429,436; other articles, £28,873. By means of this great budget the foundations were laid of such an accession of prosperity as enabled Mr. Gladstone further to signalize his tenure of office by a succession of remissions of taxation of no ordinary character. During the six following years of his administration of the national finances, the following Customs and Excise Duties were repealed: Straw Hats and Bonnets, Paper, Hops, Pepper, and Timber and Wood. The duties on

Wine were further modified; and reductions took place in the duty on Tea from 1s. 5d. to 6d. per pound, on Cigars from 20s to 5s., and on Sugar an average of 4s. per cwt.; reductions were also made in the Fire Insurance Duty—on Stock in Trade to 1s. 6d. per cent., and in the Stage Carriage and Post Horse licenses. The Income Tax was tenpence, in 1860; it was fourpence, in 1865, a lower rate than it had stood at since its re-introduction, in 1842, by Sir Robert Peel. The general result of these changes was a net reduction in the amount of the Income Tax compared with the year 1858-59 of £2,240,000, and in other taxation mainly on articles of consumption and trade, of £9,380,053, making the total amount of taxation repealed and reduced during this period, £11,620,053.

Concurrently with this remission of taxation there was a considerable diminution in the National Debt, the total capital of which, on the 31st March, 1859, was £827,077,627; on the same day of the year, 1867, the last for which provision was made by Mr. Gladstone, it was £805,019,317, a reduction of £22,058,310. This, however, does not accurately show the full reduction, as the estimated capital of the Terminable Annuities was increased from £21,999,073, in 1859, to £27,521,513 in 1867, provision having been thus made for the extinction of £5,522,440 of debt.

In the following year Mr. Gladstone's scheme for converting into terminable annuities the £24,000,000, held for the Trustees of the Savings Banks, was partially adopted and carried into effect by Mr. Disraeli. The capital in these annuities, on the 31st March, 1868,

was £56,816,803, and the total amount of debt thus operated upon by Mr. Gladstone himself by the partial carrying out of his proposals of 1867, and as the fruit of his general financial policy, was £34,817,730.

When Mr. Gladstone accepted office, in 1859, the total value of our Imports and Exports was £304,366,611, or £10 14s. 5d. per head of the population; when he retired, in 1866, the total was £534,195,956, or £17 15s. 2d. per head. The fiscal policy of which he was the great exponent enabled the country to pass through seasons of severe trial with comparative ease; the evil effects of the American Civil War upon our commerce were largely mitigated, if not entirely removed, by the working of the French Treaty and its accompanying legislation. The growth of the national income and the tonnage of imports and exports alike bear witness to a great increase of prosperity. The total Income Tax Assessment, in 1858-59, was £328,127,416; in 1866-67 it was £423,773,568. The tonnage of cargoes entered from abroad in 1858 was 8,817,537 tons; in 1866 it was 13,277,190 tons; the total of cargoes cleared for the same years were respectively 9,942,424 and 14,010,094 tons. The increase in the internal trade of the kingdom is shewn in the rapid growth of railway communication; the length of railways opened increased from 9,542 miles, in 1858, to 13,854 miles in 1866; the capital paid up from £325,375,507 to £481,872,184; and the total traffic receipts from £23,956,749 to £38,164,354. All these facts betoken a great accession of trade and wealth, and there can be no doubt, considering the

adverse circumstances which existed during a large portion of the period under review, that this prosperity was mainly owing to the wise financial policy which had been maintained during Mr. Gladstone's tenure of office.

That the great mass of the population shared in the benefits of this development of trade was shown by the consumption of the great staple articles of food. Butter, cheese, eggs, and rice were entirely liberated from duty in 1860, and there was in consequence a marked increase in consumption. The following table gives the quantities consumed, per head of the population, so far as imports are concerned for the years 1859 and 1866, and the averages for the five years ending 1859, and the six years ending 1866.

	1859.	1866.	Average. 1855-1859.	Average. 1861-1866
Butter, lbs. -	1·66	4·36	1·75	3·95.
Cheese lbs. -	1·56	4·32	1·52	3·13.
Eggs No. -	5·20	14·66	4·44	10·38.
Rice lbs. -	1·16	2·40	.7 92	4·69.

It appears from these figures that rice was the only article liberated from duty in 1860, the average consumption of which showed a decrease. It is, however, an article the imports of which show great variations, being the largest when there is a failure in the wheat harvest at home; it is, therefore, one which it is peculiarly impolitic to tax. The consumption of the first four years of the above series was as follows:— 1855, 9·57 lbs.; 1856, 10·40 lbs.; 1857, 8·65 lbs.; 1858, 9·83 lbs. per head; during the three following years it was, 1859, 1·16 lbs.; 1860, 1·41 lbs.; 1861, 2·25 lbs.; in 1862 it was 10·15 lbs.; in 1863 and

1864, 5·58 and 5·72 lbs.; and in 1865 and 1866 it fell to 2·05 and 2·40 lbs. It is clear that the imposition of a tax upon such a commodity must materially aggravate the pressure of a season of scarcity upon the population. The average consumption of imported bacon and hams for the five years ending 1859 was 1lb. per head, for the six years ending 1866 it was 3·54 lbs. per head.

In the following table, giving the total importation of the principal articles of food for the years 1859 and 1866, the vast addition that was made during that period to the comforts of the general population is very clearly exhibited.

	1859. Quantity.		Value.	1866. Quantity.		Value.
			£			£
Animals: Oxen, Bulls, Cows and Calves	No.	85,677	1,175,712	No.	237,739	4,092,941
Sheep and Lambs..	,,	250,580	445,208	,,	790,880	1,504,312
Bacon and Hams	cwts.	107,251	289,148	cwts.	635,782	1,868,588
Beef	,,	219,589	451,443	,,	232,948	563,917
Butter	,,	425,663	2,080,143	,,	1,165,081	5,962,455
Cheese	,,	406,547	1,039,180	,,	872,342	2,801,579
Cocoa.....	lbs.	6,006,759	142,415	lbs.	10,308,298	346,579
Coffee.....	,,	65,353,030	1,955,592	,,	127,044,816	4,089,329
Corn	cwts.	39,664,345	18,044,203	cwts.	62,951,109	30,049,655
Eggs	No.	148,631,000	336,662	No.	438,878,880	1,105,653
Fish	cwts.	251,944	265,431	cwts.	506,712	631,552
Fruit: Currants	,,	557,861	835,586	,,	755,482	753,922
Raisins	,,	429,059	762,933	,,	359,216	512,902
Oranges and Lemons	bush.	1,103,296	599,558	bush.	1,711,857	889,238
Pork	cwts.	163,330	383,015	cwts.	205,282	570,185
Potatoes	,,	588,910	101,038	,,	737,063	178,386
Rice	,,	1,445,977	816,971	,,	2,265,911	1,618,984
,, in the husk	qrs.	10,001		qrs.	43,583	
Sugar: Refined	cwts.	262,461	472,420	cwts.	660,384	1,024,923
Raw	,,	9,098,544	11,788,826	,,	10,639,085	10,795,015
Molasses	,,	549,391	275,156	,,	602,298	379,355
Tea.....	lbs.	75,077,451	5,812,545	lbs.	139,610,044	11,208.815
TOTAL VALUE			£48,073,185			£80,948,285

The Sugar duties were reduced in 1864, a step followed by an immediate increase in consumption, which for the five years ending 1863 averaged 35·27 lbs per head; for the years 1865 and 1866 it averaged 40·49 lbs. per head. The Tea duty was reduced, in 1863 and 1865, and the consumption increased per head from 2·58 lbs. in 1858, 2·67 lbs. in 1859 and 1860, 2·69 lbs. in 1861, and 2·70 lbs. in 1862 to 3 lbs. in 1864, 3·29 lbs. in 1865, and 3·42 lbs. in 1866; it has since continued to increase, and now reaches 4 lbs. per head.

The following table shows the quantity of foreign spirts and wine imported, and of British spirits and malt charged with duty during the same years :—

	Imported or charged with duty.		Consumption.	
Spirits.	1859.	1866.	1859.	1866.
Foreign .....gals.	12,570,747	14,660,478	4,932,648	7,797,470
British .....gals.	24,254,403	23,116,859	23,878,688	22,516,338
Total gals.	36,825,150	37,777,337	28,811,336	30,313,808
Wine ..... gals.	8,195.513	15,321,028	6,775,992	13,244,864
Malt .....bush.	44,219,300	52,281,223	47,746,289	54,444,874

The consumption per head in the two years was as follows :—

	1859.	1866.
Spirits, Foreign..... gals.	0·17	0·26
,, British..... ,,	0·84	0·75
Total Spirits ..... ,,	1·01	1·01
Wine ..... gals.	0·24	0·44
Malt ..... bush.	1·67	1·82

The foregoing facts speak for themselves, and furnish additional corroboration of the fact that the repeal of duties of Customs and Excise is invariably followed by striking augmentations in the trade and prosperity of the country. The remissions of taxation

by means of which these great benefits have been secured, have been invariably denounced by the Conservative party; if they could have had their way the French treaty would have been rejected, taxes would have been maintained upon articles of food, now free from fiscal exaction, and the education of the people would still have been impeded by the retention of the paper duty. Fortunately for the best interests of the country they were powerless to stay the progress of this beneficent legislation, which has returned them good for evil by augmenting their rentals and vastly increasing the value of the property, which they will transmit to their descendants. The benefits conferred upon the community by increased freedom of commerce are universal and impartial in their incidence, being shared both by those who have promoted and by those who have endeavoured to retard its progress. Many who now steadily uphold the existing commercial and financial policy of the United Kingdom, and loudly protest that they wish no departure from the principles of Free Trade, have sincere cause to congratulate themselves that their resistance to its progressive development was as weak and futile as the policy itself has been wise and beneficent.

CHAPTER IV.

THE SESSION OF 1867.

The first financial business of the year 1867 was the adoption of a new scale of Sugar Duties, in order to carry out a Convention entered into with France, Holland, and Belgium, in 1864, for the purpose of putting an end to abuses connected with the assessment of drawbacks, and to establish a drawback upon a common principle to be adopted by all the countries that were parties to the Convention. The measure comprised, so far as this country was concerned, the reduction of the duty on refined sugar from 12s. 10d. to 12s. per cwt.; on the first class of unrefined from 11s. 8d. to 11s. 3d.; and on the fourth class from 8s. 2d. to 8s. per cwt.; and an increase on the third class from 9s. 4d. to 9s. 7d. per cwt.; in the second class the old duty of 10s. 6d. was retained, The amount of revenue collected by the duties on sugar was not materially affected by these changes, which are merely worthy of notice from the fact that, in consequence of an unwise system of taxation, a matter of trade which, in the natural course of things, would have regulated itself, became the subject of diplomacy and of a solemn Convention between several European Governments.

Mr. Disraeli made his Financial Statement on the 4th of April, and was able to announce that the previous year's estimates, tested by a trial of so extreme a

character as the panic of 1866, proved the sagacity of Mr. Gladstone's calculations. Notwithstanding the scenes of apparently extreme peril through which the country had passed in respect to its financial condition, after the financial statement of the previous year was made, and the disasters experienced in monetary circles, the consuming power of the country never for a moment flagged. The actual revenue was £2,421,568 in excess of Mr. Gladstone's estimate, arising mainly from sugar, tobacco, malt, and spirits, the yield of the Customs being £1,380,000, and of the Excise £1,005,000 in excess of the amount anticipated from those sources. The actual state of the revenue as compared with the estimates was as follows :—

Estimated Revenue	£67,013,000	Actual Revenue	£69,434,568
Estimated Expenditure, including Supplementary Estimates	£67,031,000	Actual Expenditure	£66,780,396
Excess ...	£18,000	Surplus ...	£2,654,172

Mr. Gladstone's estimates for expenditure were £66,225,000, so that a surplus of above £3,200,000 would have resulted if they had not been exceeded.

The year 1866 will long be remembered in mercantile and monetary circles, on account of the severe panic which tested the stability of our financial institutions, and under the influence of which so many houses of long standing and established reputation were compelled to succumb. There had been indications of pressure during the latter period of 1865. On the 2nd of October the rate of discount was raised from 4½ to 5 per cent., on the 5th of October to 6 per cent., and

on the 7th of October to 7 per cent, It was reduced again on the 23rd of November to 6 per cent., but again raised to 7 per cent. on the 28th of December, and on the 4th of January 1866, it was raised to 8 per cent. The passing of the Companies' Act of 1862, by means of which the principle of limited liability received a great extension, had given rise to much reckless speculation. Financial Companies were established for the purpose of constructing public works and promoting enterprises of various kinds, some sound but many unsound. The true principle of limited liability was set at naught in the construction of public companies, the paid-up capital forming in numerous instances only an insignificant fraction of the capital actually subscribed, and the amount not called up became a serious embarrassment when such companies came to be wound up.*

The rate of discount was reduced from 8 per cent. to 7 per cent. on the 22nd February, and to 6 per cent. on the 15th of March. The panic in financial shares still continued despite this reduction, and was aggravated by the stoppage in April of Barned's bank at Liverpool. On the 3rd of May the rate of discount was advanced to 7 per cent., and on the 8th of May to 8 per cent. The Financial Corporation suspended early in that month, and on the 11th the world-renowned firm of Overend, Gurney & Co.,

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* Of this *modus operandi* the Financial Corporation afforded an admirable illustration, its nominal capital being £3,000,000, its paid-up capital only £125,170. The shares were £100 each, of which only £3 was paid up, leaving a liability of £97 per share. See *British Almanack and Companion* 1867. Article on "*Commercial Panics.*"

which had not long previously been converted into a limited liability company, failed, with liabilities estimated at £18,000,000, but which were afterwards reduced to £5,000,000. Then ensued a panic the like of which had never before been witnessed, and which gave to the day on which it occurred the memorable title of "Black Friday." Lombard Street became impassable, crowds of excited spectators crowded round the doors of the principal banks, the most alarming rumours were spread; to adopt the words of M. Wolowski, in the *Revue des Deux Mondes*, "it was a day of distress and terror, and seemed to be the signal of general ruin." The Bank rate was advanced to 9 per cent., and on the following day, May 12th, to 10 per cent., the Act of 1844 being again suspended upon the condition that the minimum rate of discount should be 10 per cent. Confidence in any means of exchange but gold and bank notes was destroyed, and the reserve of notes, which was £5,800,000 on the 25th April, fell on the 16th May to £730,000.

The failure of Overend & Co. was followed by the suspension of the English Joint Stock Bank, Messrs. Peto Betts & Co., the Oriental Commercial Bank, the European Bank, Hallett, Ommaney & Co., the Bank of London, the Consolidated Bank which in a short time resumed business, and the Agra and Masterman's Bank. The last named bank has subsequently been reconstructed. Numerous other companies also fell into the hands of the lawyers and the liquidators, whose calls upon capital subscribed, but not paid up, proved a source of embarrassment to a

large number of confiding shareholders for many months, and in some cases years, after the panic had subsided. It is a matter of regret that there has been no Parliamentary return of the money paid to liquidators and lawyers in the shape of calls in defunct companies. The information would be very valuable, and ought to be presented to Parliament at an early day. The real effect of the system which led to the catastrophe of 1866 cannot be understood till this is done. The ten per cent. rate of discount was not reduced until the 16th August, when it was fixed at 8 per cent., and during the whole of the three months that 10 per cent. was in force, 11 and even 12 per cent. had to be paid for accommodation by firms of acknowledged stability. On the 23rd of August it was reduced to 7 per cent., and on the 30th of the same month to 6 per cent. During the month of September it was again reduced, on the 6th to 5 per cent., and on the 27th to 4½ per cent.; on the 8th November it was further reduced to 4 per cent., and during the year 1867 the rate of discount varied from 4 per cent. at the beginning of the year to 2 per cent. at its close.

The peculiar nature of the crisis of 1866 led to the suspension of many large public works which had been carried on by means of the inflated credit created by financial organizations. The main cause of the suspension of Overend, Gurney & Co., was the locking up of capital in undertakings of this kind. The cessation of such employment created great distress among a large class of workmen, and materially interfered with the growth of the revenue. It is,

therefore, interesting to study the effects of the panic of 1866 upon the proceeds of the taxes, as compared with years of previous panics. In the year 1847, when a similar catastrophe occurred, there was a decrease, compared with the previous year, in the gross revenue of the Customs of £622,655, and in the Excise of £1,092,491. Customs duties, however, were reduced, in 1847, amounting to £344,886, thus diminishing the loss through other causes to £277,769, and making the net loss on Customs and Excise £1,370,260. In 1857, the next year of panic, Customs duties were reduced amounting to £1,628,582, and the result of the year was a gain on the Customs of £403. Upon the Excise there was a loss of £383,552, but the total revenue from all sources exceeded the estimate for the year by £1,500,000. It is, however, a noteworthy fact that the whole of the increase was shown by Mr. Disraeli, in his Financial Statement for 1858, to have accrued during the months of January, February, and March of that year, when the crisis was over and business had recovered itself; up to the 31st December there was a loss. Notwithstanding the panic of 1866, and a reduction in that year of £516,462 on the Customs and £85,000 on the Excise, there was an increase for the year ending 31st March 1867 over the previous year, in the Customs of £996,827, and in the Excise of £890,160. This fact demonstrates that, upon the whole, the trade of the country was in a healthy condition; the panic of 1866 was purely financial, its victims were the too credulous investors, who had placed confidence in the glowing promises

put forward by framers of prospectuses, but it did not affect the regular growth of our commerce. For this stability, during a period of great pressure upon a large section of the community, the country is, no doubt, indebted to the commercial legislation of the previous quarter of a century, which has rendered trade less liable to be affected by commercial vicissitudes.

It was in allusion to this fact that Mr. Gladstone, in the course of his remarks upon the Financial Statement of 1867, made the following observations, the truth of which will be recognised by all who have paid attention to this subject:—

"The right hon. gentleman has been able to present to the committee a most favourable statement of the condition of the country with respect to its financial resources. I consider that one of the most remarkable results of the great change we have passed through with respect to our commercial legislation, and the liberty which has been given to the operations of trade, has been, that along with a vast increase in the scale of those operations there has been an almost equal increase in their steadiness. It is not that the spirit of speculation is less active than in former times; but if there be a peculiarity of the present time, it seems to be this—that whereas in former times, when what is called a panic occurred, and commercial men experienced a period of pressure, the effect of that pressure was felt in the diminution of the consuming power of the country, and, consequently, in the diminution of the revenue, in a manner which we have now the greatest difficulty to realize. We now seem to pass through years of great and serious difficulty—years like the two last—without their appearing to leave the smallest trace upon the consuming power of the country, or upon the revenue which is its produce. That is a circumstance of the greatest possible consolation, and it should encourage us to go forward in the path which we have for so many years been pursuing."

Mr. Disraeli estimated the expenditure for the year 1867-8 at £68,134,000, and the income at £69,340,000, leaving a surplus of £1,206,000 at his disposal. In

considering the mode in which this sum, or the portion of it to be appropriated for the benefit of the taxpayer, should be dealt with, he laid down the three following propositions:—

1. That during the last ten years remissions had been very considerable, not less than £11,000,000 sterling, irrespective of the reduction in the Income Tax.

2. That it was difficult to fix on any particular tax of that extreme severity and apparent injustice that all minds will agree at once that the resources of the country should be directed to alleviate or remove it.

3. That there was, indeed, no tax at that time that injuriously affected the industry of any class of the community except that affecting the industry of the producers of barley.

Of these three propositions only the first appears to be incontestable. It is no doubt true that taxation was largely reduced during the period named, thanks to the administrative genius of Mr. Gladstone, and despite the strenuous opposition of Mr. Disraeli and his followers. As regards the second proposition, it would be very difficult to find any period when that unanimity could be discovered, which Mr. Disraeli seemed to think necessary in order to ensure the repeal of oppressive taxation. Certainly the records of Hansard will not supply it; there has been no tax, however bad and obnoxious, that has not found a faithful band of supporters, who professed to regard it as the very perfection of taxation. The third statement can have no meaning, unless it is intended to convey the impression that, with the exception of malt, it is possible to levy duties upon articles of commerce without injuriously affecting trade and industry.

If that be the case, much of our recent financial legislation must have been based upon erroneous principles.

However desirous he might have been to diminish the duty on malt, Mr. Disraeli was compelled to admit that it was quite impossible, with the amount at his disposal, to deal with that tax in a comprehensive and an effectual manner. He then expressed his entire approval of the proposal of the last year for dealing with the National Debt, although, on account of circumstances which materially affected the surplus, or, in other words, on account of the increase in the expenditure, he found it impossible to proceed with the whole of Mr. Gladstone's scheme. He, therefore, proposed to retain only the proposal to convert £24,000,000 of debt into annuities terminating in 1885. The interest of £720,000 on this sum would in future years be increased to £1,776,000, an additional annual charge of 1,056,000, from which had to be deducted the annuity of £585,740 granted to the bank in 1823, and terminating in 1867, in order to arrive at the net increase in the charge. The operation would dispose of £750,000 of the surplus of the year, leaving £456,000 to be still dealt with. Of this sum £210,000 was applied to the reduction of the duty on Marine Insurances to a uniform rate of 3d. per cent., except time policies exceeding six months, which were fixed at 6d. per cent. This remission further reduced the surplus to £246,000. The tax on dogs was also reduced from 12s. to 5s., and was removed from the list of assessed taxes and converted into an Excise license duty.

Mr. Disraeli's opinion as to the harmless nature of all existing taxes, except the Malt Tax, gave rise to several hostile criticisms, which showed that upon that point, at least, perfect unanimity was not to be found in the House of Commons. Mr. White would have preferred the immediate abolition of all duties on coffee, cocoa, chocolate, raisins, and dried fruit, to the proposals of the budget. Mr. Hubbard, one of the Chancellor of the Exchequer's own followers, gave notice that, at a fitting opportunity, he should move a resolution in favour of repealing or largely reducing the fire insurance duty before considering the further reduction of the National Debt. Mr. Gladstone pointed out that there were a large number of imposts, which it was impossible to survey without feeling a strong desire to remove them by applying surplus revenue, as it arose, to that purpose, instancing specially the license duties and the taxes on locomotion. Mr. Read asserted that the Government had consulted the wishes of the party opposite rather than of its own party in framing the budget, and complained that nothing was done with malt, in which complaint he was supported by Mr. Pollard Urquhart, Colonel Barttelot, and Mr. Jasper More. Mr. Fawcett questioned the statement that scarcely a tax was now levied in this country which could be regarded as operating at all oppressively, and instanced the taxes on locomotion, hackney carriages, and tea, besides a number of small Customs Duties which yielded no great revenue, but which encumbered and embarrassed the trade of the country.

The increase in the estimates over those of the

preceding year, which amounted to about £2,000,000, was the occasion of some very severe strictures from Mr. Gladstone. He expressed a decided opinion that the circumstances of the country were not such as to warrant the very serious additional outlay proposed by the Government, against which he uttered a strong and earnest protest. Another illustration, however, was afforded in this instance of the complete inability of Parliament to resist demands for increased expenditure proposed by the Government of the day. The ministry has always at its command a troop of obedient followers, who support whatever may be proposed, while the opponents of expenditure are isolated and weak, and have no effective means of enforcing economy excepting under very special and extraordinary circumstances. It would probably be different were every member of the House of Commons conscious that, in voting extra money, he was voting an increased direct tax upon his own property.

The Budget proposed by Mr. Disraeli was very unambitious, and necessarily so at a time when the attention of Parliament was occupied with the great question of a Reform in its own constitution. In one respect it resembled his budget of 1858, the suspension, or rather the revocation of proposals made in the previous year for the reduction of debt. In 1858 Mr. Disraeli found himself with a deficiency of nearly £4,000,000, caused by the reduction of the Income Tax, as previously arranged, from 7d. to 5d., to meet which he abolished the War Sinking Fund, established by his predecessor. In 1867, in order to meet an increase in expenditure created by his own Govern-

ment, he repealed the measure adopted in the previous year for investing the balances of interest not required to meet the demands of the Savings Banks, in order to provide a further reduction of debt beyond the creation of Terminable Annuities for the £24,000,000 of Savings Bank Stock. Those who remember the extraordinary nature of his proposals, in 1852, may be well content that his administration of the finances in subsequent years happened at a time when the necessities of the State compelled him to keep within existing lines, and to avoid attempts to remodel taxes for the advantage of a class instead of in the interest of the entire community.

The undertaking of the expedition to Abyssinia rendered imperative a second session of Parliament in the month of November, in order to provide the necessary ways and means for that expedition. In the absence, from ill health, of the Chancellor of the Exchequer, Mr. Ward Hunt made a supplementary Financial Statement, on the 28th November. The House had passed a vote of £2,000,000 two days previously; all that remained was to decide upon the mode of raising the money.

From the experience of the Government up to the time of meeting Parliament, Mr. Hunt anticipated that they would receive very nearly the amount of income estimated by Mr. Disraeli; this would leave a surplus at the end of the year of £200,000, so that a sum of £1,800,000 had to be provided. This he proposed to do by adding a penny to the Income Tax, for the current financial year, of which £840,000 would be collected during the year, and the balance during the

following year. Of the amount required during the year, which was £1,800,000, the sum of £840,000 would be raised by taxation, and £960,000 provided out of the balances in the Exchequer. After a short discussion, in the course of which Mr. Gladstone approved these proposals, the resolution imposing an additional penny of Income Tax was agreed to. On the 7th December both Houses adjourned, the Income Tax Act having been carried through its necessary stages, and the presumed expenses of the Abyssinian expedition having been provided for to the end of the financial year. The sum of £2,000,000 was the estimated cost of placing the expedition on the shores of Abyssinia, and was all expended by the 31st December, 1867. The total expense of the War was estimated by Mr. Disraeli, in moving the vote of credit for the £2,000,000, at £3,500,000; the actual cost appears, from the figures given in the statistical abstract, to have been £8,300,000, or £4,800,000 in excess of the original estimate.

CHAPTER V.

THE SESSION OF 1868.

The retirement of Lord Derby and the accession of Mr. Disraeli to the Premiership were announced shortly after the re-assembling of Parliament after the adjournment for the Christmas holidays. In the new administration Mr. Ward Hunt, who had previously been mainly known for his exertions in connection with legislation against the Cattle Plague, was appointed Chancellor of the Exchequer.

The Budget was introduced on the 23rd of April, and, in making his Financial Statement, Mr. Ward Hunt was able to congratulate the House upon the condition of the revenue, notwithstanding the fact that the country had been suffering from two bad harvests, and had not yet recovered from the financial depression of 1866 and the early part of 1867. The following table shows the estimated and actual revenue for the year ending 31st of March, 1868 :—

Estimated Revenue, including additional Income Tax voted in November	£69,970,000	Actual Revenue, including additional Income Tax voted in November ...	£69,600,218
Estimated Expenditure, including supplemental votes ...	£71,287,000	Actual Expenditure	£71,236,242
Estimated deficiency.	£1,317,000	Actual deficiency	£1,636,024

It will be seen from these figures that the revenue

was less by £369,782, and the expenditure less by £50,758 than the estimate, the result being an increase in the deficiency, to be paid out of balances, of £319,024.

The total revenue of 1867-8 was £165,650 in excess of the previous year; in that year, however, there were two sums received from extraordinary sources, the China Indemnity, £250,000; and New Zealand Bonds, £500,000, for which allowance should be made in order to arrive at a just comparison. This would make the increase of ordinary revenue £915,650. The additional penny of Income Tax, imposed in November to meet the expenses of the Abyssinian expedition, only brought in £477,000 within the year, instead of £840,000, as estimated; and from this sum the loss from the reduction of Marine Insurances of £210,000 should be deducted, giving a net addition to taxation of £267,000. By taking this amount from the surplus ordinary revenue of £915,650 we arrive at the real growth of revenue during the year, which was £648,650. This, it must be admitted, was a gratifying result, considering the heavy drawbacks to which the country had been exposed. If the ordinary expenditure of the previous year had not been exceeded, the revenue would have been sufficient to defray not merely that expenditure, but the £2,000,000 voted on account of Abyssinia, and would have left a surplus of above £800,000. The growth of revenue, however, was only about £600,000, while the growth of ordinary expenditure was nearly £2,500,000.

The expenditure for the year just closed was less than the estimates by £50,758. There was an

excess on the Army of £118,000; on the Navy, £102,000; and on the Miscellaneous Civil Services, £83,000; but on the other items there was a saving. Compared with the expenditure of the previous year there was an increase under every head, as follows:— Interest of Debt, £489,972; Civil charges of all kinds, £670,739; Army, £743,042; Navy, 492,848; Revenue Departments, £59,245; total, £2,455,846. The following table gives the actual expenditure for three years, ending 31st March, 1868, and the estimate for the following year.

Interest, &c., of	1865-66. £	1866-67. £	1867-68. £	Estimate, 1868-69. £
National Debt.....	26,233,288	26,081,778	26,571,750	26,700,000
Civil charges.....	10,250,065	10,523,019	11,193,758	12,127,000
Army	13,804,450	14,675,540	15,418,582	15,456,000
Navy	10,259,788	10,676,101	11,168,949	11,177,000
New Zealand War	764,829			
Abyssinian War			2,000,600	3,000,000
Collection of Revenue..	4,601,937	4,823,958	4,883,203	4,968,000
	65,914,357	66,780,396	71,236,242	73,428,000*

It appears from these figures that the excess of expenditure in 1866-67 over the previous year, exclusive of the New Zealand war, was £1,630,868, and the excess of the year 1867-68 over the same year, excluclusive of the Abyssinian war, was £4,086,714, making a total addition in the ordinary expenditure, during the two years, of £5,717,582. The estimates for the current year showed an increase in the ordinary expenditure of £1,191,758 over the year immediately preceding, and £5,278,472 over 1865-66, and made the addition to the ordinary expenditure, during three years, £10,996,054.

* This was the amount named in Mr. Hunt's speech. The amount voted, including a supplementary estimate in 1869, was £73,484,000.

Mr. Hunt explained that a considerable portion of the increase in the Civil Service and Revenue Departments for the year 1868-9 over the year 1867-8 was a mere matter of account, and did not arise from increased expenditure; he did not state the amount, but if it is assumed that one-half of such increase arose from that cause, the addition to the ordinary expenditure during the three years of conservative rule would still amount to more than £10,000,000 sterling.

The total ordinary revenue for the year ending 31st of March 1869, was estimated at £71,350,000, leaving a surplus over the ordinary expenditure of £922,000, the whole of which, and something over, was due to arrears in the collection of Income Tax for the previous year. . The extraordinary expenditure for the Abyssinian war had, however, to be provided for. Mr. Hunt stated that there was no reason to suppose that the £2,000,000 already voted, in order to place the expedition on the shores of that country, had been exceeded, and he believed that amount would pay all charges up to the end of 1867. From the first of January it was estimated that £600,000 per month would be required, and that the expedition would last until the end of May, making a total of £3,000,000 to be provided during the current year. He then considered the mode in which it was most desirable to raise this sum, and decided against increasing taxation upon articles of consumption on the ground that the expenditure was only temporary and would not justify the great disturbance to trade that would arise from the imposition of extraordinary taxation upon imported commodities. He, therefore,

proposed an addition of twopence to the Income Tax, with power, if necessary, to issue Exchequer Bonds for the £1,000,000 of Income Tax that would not be collected till the next year, the bonds to be then paid off. The money was first to be provided by the Indian Government, and experience showed that the accounts would, most probably, not be settled till the following year. He considered that his estimate of the revenue was low, and that a return of commercial prosperity, and with it the usual elasticity of the revenue, would cause the proceeds of the year to suffice, without having recourse to the issue of Exchequer Bonds.

In closing his Financial Statement, Mr. Hunt expressed the hope that he would receive some sympathy from the Committee because the exigencies of fate compelled him to propose a most unambitious budget. He did not think the work of Fiscal Reform was terminated. Much had been done, but more remained to do. If there were not many flowers to cull, there were many noxious weeds still to be rooted up; there were blots which had often received the attention of the House, and others which had not yet, in his opinion, received sufficient attention. The circumstances of the time did not permit of extensive changes in our fiscal system, and, therefore, it had been his lot to propose a very matter-of-fact budget; one which he considered financially sound, and which would provide for the extra expenditure in a manner which would not be unduly oppressive to the people.

The discussion upon the budget mainly turned upon

the necessity of the increased expenditure, which was upheld by the Ministry and their supporters, but denounced by the opposition. Mr. Gladstone expressed his approval of the mode in which it was proposed to provide for the extra expenditure, but denied that any additional taxation was rendered necessary by the Abyssinian war. If the ordinary expenditure had not been increased there would have been a surplus, after providing for the war, of £800,000, notwithstanding the financial crisis, the bad harvest, and the comparatively unfavourable state of the revenue.

The bill necessary to carry into effect the budget resolutions passed through its various stages without discussion, the attention of the House being mainly occupied with the Scotch and Irish Reform Bills and the Irish Church. The question of local taxation was brought before the House on the 12th of May by Sir Massey Lopes, but, in obedience to a suggestion from Mr. Sclater-Booth, who spoke on behalf of the Government, the motion was withdrawn without a division.

The prorogation took place on the 31st July, and on the 11th November, the last Parliament elected under the Reform Act of 1832 was dissolved, in order to admit of an appeal to the new and enlarged constituency created by the recent Acts for amending the representation of the people. Although the Reform Act of 1867 had been described by a very high authority as "a leap in the dark," the Conservative ministry appeared to regard the appeal to the constituencies without misgiving, and it will be remembered that Mr. Disraeli expressed great confidence at the Lord Mayor's banquet, in November, that he

should again return thanks, in the following year, for the Ministers of the Crown. The Liberal party appealed with equal confidence, and, as the result showed, on much better grounds, upon the principles of religious equality and economy in the administration of the Government. The enlarged constituencies fully endorsed the resolutions respecting the Irish Church that had been adopted by a Parliament elected on a more restricted basis, and placed in power, with a majority unequalled since the year 1832, the minister who was the active colleague of Sir Robert Peel, in the preparation of his early free-trade measures, and who had, as Chancellor of the Exchequer, signalized his tenure of that office by a series of brilliant commercial reforms, which secured a development of trade and industry without a parallel in the previous history of British Commerce.

CHAPTER VI.

THE PROGRESS OF FISCAL REFORM, 1832 TO 1868.

When the Parliament of 1865 was dissolved, after a short and stormy reign of three years, the country had been governed for nearly thirty-six years under the Constitution framed in 1832. During that period many great and marvellous changes had taken place in legislation, but in no department were such changes more remarkable than in the domain of finance. Since the meeting of the first reformed Parliament, in January, 1833, the system under which the revenues of the State were administered had been completely revolutionized. Those who are acquainted only with the existing state of things can form no conception of that which it has replaced. The following table* gives a summary of the taxation, exclusive of Income Tax, remitted and imposed during this period :—

	Repealed or Reduced. £	Imposed. £	Diminution. £
Customs	23,832,139	4,534,710	19,297,429
Excise	8,768,700	7,755,904	1,012,796
Stamps	3,056,863	2,618,420	438,443
Taxes	4,052,642	913,841	3,138,801
Postage	1,272,000	124,597	1,147,403
Total	40,982,344	15,947,472	25,034,872†

* See Porter's Progress of the Nation, for the years 1833 to 1839; the first and seventeenth numbers of the Statistical Abstract, for the years 1840 to 1868.

† The whole of this remission, with its attendant advantages, was obtained through the instrumentality of the Income Tax, which, it will be remembered, was revived by Sir Robert Peel in 1842, at 7d. in the £, for the purpose of enabling him to meet a serious chronic deficiency in the revenue and to repeal

These figures however give a very inadequate idea of the actual relief obtained by the reforms which they represent. The pressure of taxation on the community was formerly greatly aggravated by protective duties, imposed for the supposed benefit of our manufacturers and agriculturists. Sir Henry Parnell, in his valuable work on Financial Reform, published in 1830, gives a summary of a Parliamentary return issued in 1829, from which it appears that duties of customs and excise amounting to above £6,000,000 annually were levied upon raw materials of manufacture, the most injurious and impolitic of taxes. In addition, protective duties were imposed upon every description of manufacture, of which the following are examples:—*thirty per cent.*, manufactures of brass, copper, lace, leather, silk, embroidery and needlework, pencils, pens, sealing wax, hair or goats, wool, pots of stone, varnish; *twenty per cent.*, japanned ware, wrought iron, manufactures of pewter, steel, and tin jewellery, baskets, boxes, buttons, haberdashery and apparel, scientific and musical instruments, matting, mattresses, cotton and woollen manufactures; *fifteen per cent.*, earthern and china ware, some woollen manufactures, tiles; *forty per cent.*, linen manufactures; *fifty per cent.* empty casks; *seventy-five per*

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other and more oppressive taxes. In subsequent years it was increased in order to provide for the Crimean War, and other war expenditure, and, after several fluctuations, it was reduced to 4d. in 1864; in 1867 it was increased to 5d., and in 1868 to 6d., the ostensible pretext being the Abyssinian Expedition; the real occasion, however, of both these additions was the augmented expenditure of the Conservative Government. Above £3,500,000 of the increase in the Excise is caused by permanent additions to the Spirit Duties.

cent. dressed furs; *twenty-five per cent.*, watches; upon many other articles there were specific duties, and upon manufactures not enumerated the rate was twenty per cent.

In order to protect agriculture the following duties were imposed; bacon, 28s. per cwt.; butter, 20s. per cwt.; cheese, 10s. 6d. per cwt.; hay, 24s. per load; hops, £8 11s. 0d. per cwt.; hempseed, £2 per quarter; hemp, undressed 4s. 6d. per cwt.; lard, 8s. per cwt.; mules and asses, 10s. 6d. each; horses, £1 each; rape and linseed oil, £39 18s. 0d. per ton; peas, 7s. 6d. per bushel; potatoes, 2s. per cwt.; seeds, £1; tallow, 3s. 2d. per cwt.; tares, 10s. per qr.; timber, £2 15s. per load; wheat, £1 5s. 0d. a quarter to 1s., according as the price rose from 61s. to 70s. a quarter; barley, 13s. 10d. a quarter to 1s. according as the price rose from 32s. to 40s. a quarter; oats, 10s. 9d. a quarter to 1s., according as the price rose from 24s. to 31s. a quarter; other grain, flour, and meal on similar scales. The importation of living animals for food, and of beef, lamb, mutton and pork were absolutely prohibited. The lowest rate of duty on sugar was 24s. per cwt., with higher duties upon sugar from other sources than our own colonies; tea was taxed 100 per cwt. on its value; and coffee from 6d. to 1s. 3d. per pound, according to the place of its origin.

Fortunately for the prosperity of the country this state of things has undergone a complete revolution, and the nation has experienced in practice the truth of the principles laid down by Sir Henry Parnell, in the following extract from the concluding portion of his work on Financial Reform:—

"If once men were allowed to take their own way, they would very soon, to the great advantage of society, undeceive the world of its error in restricting trade, and shew that the passage of merchandize from one State to another ought to be as free as air and water. Every country should be as a general and common fair for the sale of goods, and the individual or nation which makes the best commodity should find the greatest advantage. The distance and expense of carriage are sufficient reasons for any nation's preferring its own goods to those of others, and when these obstacles cease, the stranger is preferable to our own countryman, otherwise domestic trade is injured instead of being favoured. For these reasons trade claims liberty instead of those protections by which it has been discouraged.

Happily the time, if not yet arrived, is rapidly approaching when the desire to reduce the principles of trade to a system of legislative superintendence will be placed in the rank of other gone-by illusions. The removal of obstacles is all that is required of the legislature for the success of trade. It asks nothing from Government but equal protection to all subjects, the discouragement of monopoly, and a fixed standard of money. Restraints, regulation, inspection, have no success. All that is wanting is to let loose the means this country has within itself of protecting and promoting its interests, to secure its future career in all kind of public prosperity.

The policy thus indicated, which was promulgated by Adam Smith, in 1784, and subsequently enforced by far-seeing men like the writer of the above passage, achieved its first great triumph in 1846 mainly through the earnest advocacy of the Anti-Corn Law League, aided by those direful calamities, the failure of the potatoe crop and the consequent Irish Famine, which compelled the opening of the ports of this country to the free access of food from every portion of the globe, and laid the foundation for that gradual remission of taxation upon trade and industry, which has completely revolutionized our fiscal system.

The principles of Free Trade were not generally understood at the time of the passing of the Reform Act of 1832.* Public attention was then mainly directed to obtaining a reduction of expenditure by the abolition of the numerous sinecures which had long existed, and which their admirers considered essential to the stability of the British Constitution. It was not until ten years later, when Sir Robert Peel took the first step in a comprehensive reform of the tariff, that the real cause of the national distress was attacked by the Government. During the seven years ending 5th January, 1840, the total net remission of taxation was as follows: Customs, £814,757; Excise, £1,619,600; Stamps, £552,749; Taxes, £1,622,489; Postage, £25,970; total, £4,635,565. The following were the taxes dealt with during that period:—

1833. Repealed: Duties on tiles, upon some taxed carts, upon shopmen, warehousemen, porters, commercial travellers, stewards, bailiffs, and others employed in trades. Reduced: the duty on advertisements, marine insurances, houses partly occupied as shops, raw cotton, and soap.

1834. Repealed: The House Tax, duties on starch, stone bottles,

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* An admirable illustration of this fact was narrated by Sir John Bowring, at the Annual Meeting of the Financial Reform Associationl held at Liverpool in 1865. He said, "Reference had been made to some language held by Lord Melbourne, in 1837. He (Sir J. Bowriug) was honoured by being the delegate of Great Britain to the Zollverein, in 1838; he came back and reported the result of that Commission to Lord Melbourne, the then Prime Minister, and he said, 'My lord, I can answer the arguments of those who patronise monopoly, and who oppose free trade; but I cannot answer them when they hold up our tariff. When I ask for an introduction of our manufactures, they say, why don't you receive our corn? and that is an argument to which I can offer no reply. My Lord, you must abolish the Corn Laws.' What was Lord Melbourne's answer? 'Why, Dr. Bowring, instead of sending you to Berlin, I ought to have sent you to Bedlam.'"—*Financial Reformer, April*, 1865.

and sweets, some small assessed taxes, the stamp on almanacks Reduced: Irish spirits from 3s. 4d. to 2s. 4d. per gallon, and some Customs duties amounting to £200,000.

1835. New scale adopted for spirit licenses, in favour of small traders, reduction of duty on flint glass from 6d. to 2d. per lb., and of the stamp duty on awards in Ireland.

1836. Reduced: the excise on first class paper from 3d. to 1½d. per lb., further reduction of duties on taxed carts, South Sea duties remitted, stamp duties on newspapers reduced, excise on stained paper repealed.

1837 and 1838. No remission of taxation.

1839. The penny postage adopted, to come into effect on the 5th December, so that the bulk of the remission fell on the year 1840.

It will be seen that in these remissions there was no promise whatever of the policy subsequently pursued. Neither the Whig nor the Tory leaders were yet converted to the principle of free trade, and the sole resource which suggested itself in 1840, when it was necessary to provide for a chronic deficiency, was the addition of 5 per cent. to the Customs and Excise, and ten per cent. to the Assessed Taxes. This proposal was approved by Sir Robert Peel, and it was not until its failure was demonstrated, and the Whigs were defeated, both in Parliament, and on a consequent appeal to the constituencies, upon the question of a fixed duty upon Corn, that a large remission of Custom duties, in compliance with the suggestions of Mr. Hume's Committee of 1840, was regarded as the financial resource of the nation. Then was commenced, in 1842, the career of fiscal legislation which has made the subsequent thirty years memorable in history, and has conferred such unexampled benefits upon the community.

The failure of protective duties to encourage British manufactures, and the complete success of the opposite policy, cannot be better exemplified than in the following table, which forms an appropriate termination to this chapter.

Real Value of British and Irish Produce and Manufactures Exported.

From Porter's Progress of the Nation.		From the Statistical Abstracts.							
				Per head of the Population.					Per head of the Population.
	£		£	£	s.	d.	£	£	s. d.
1825	38,877,388	1840	51,308,740	1	18	9	1855	95,688,085	3 8 10
1826	31,536,723	1841	51,545,116	1	18	6	1856	115,826,248	4 2 10
1827	37,181,335	1842	47,284,988	1	15	0	1857	122,066,107	4 6 7
1828	36,812,756	1843	52,206,447	1	18	4	1858	116,608,756	4 2 5
1829	35,842,623	1844	58,534,705	2	2	6	1859	130,411,529	4 11 2
1830	38,271,597	1845	60,111,082	2	3	3	1860	135,891,227	4 14 7
1831*	37,164,372	1846	57,786,876	2	1	3	1861	125,102,814	4 6 5
1832	36,450,594	1847	58,842,377	2	2	1	1862	123,992,264	4 5 7
1833	39,667,347	1848	52,849,445	1	18	0	1863	146,602,342	5 0 0
1834	41,649,191	1849	63,596,025	2	5	11	1864	160,449,053	5 8 7
1835	47,372,279	1850	71,367,885	2	11	10	1865	165,835,725	5 11 5
1836	53,368,571	1851	74,448,722	2	14	4	1866	188,917,536	6 6 2
1837	42,069,245	1852	78,076,854	2	16	11	1867	180,961,923	6 0 0
1838	50,060,970	1853	98,933,781	3	11	10	1868	179,677,812	5 18 3
1839	53,233,580	1854	97,184,726	3	10	3	1869	190,045,230	6 3 7

The above figures speak for themselves. The increased value between 1835 and 1839 was caused by a series of commercial reforms carried into effect by Lord Sydenham during his tenure of office at the Board of Trade, which commenced in 1831, and, with the exception of a short interval in 1834-5, lasted eight years. Within that period duties affecting 700 articles were reduced. Then followed the tariff reforms of

* In 1831, the exports per head of the population were £1 10s. 6d.

1842 and 1845, the adoption of free trade in 1846, the reforms of 1853 and 1860, including the French Treaty, and other remissions of customs duties which have gone on with more or less of continuity since the year 1842. Twenty millions sterling have, in round numbers, been remitted in the customs since 1842, notwithstanding which there has been material diminution in the revenue from that source, and the exports of British Produce and manufactures increased nearly fourfold, the average for the four years ending 1843 being £50,586,322, and for the four years ending 1869 £184,900,625.

Great as have been the financial achievements of the Parliaments elected since 1832, there is still work in the same field for their successors. With a ten-pound borough franchise, the nation has delivered itself from the evil influence of protection and repealed many oppressive taxes upon trade and industry. Compared with the work already done, it might be thought that there was little left to do. Such, however, is not the case; there is not merely the completion of that task to accomplish, but in addition there is the great and arduous undertaking of apportioning the burden of taxation to the strength and ability of the different classes of taxpayers. It has been the inevitable result of the principles upon which our tariff reforms have hitherto proceeded, and of the necessity of accomplishing well the one work in hand, that the pressure of taxation upon poverty, as compared with wealth, has not yet been fairly and equitably adjusted. Taxes upon wealth have not increased in anything like the same proportion as wealth itself.

The luxuries of the rich have been largely relieved from taxation, while duties have been increased upon luxuries consumed by the poor. The income tax itself, of which many now complain, has been the means by which the larger portion of this wealth has been created, and has in reality been, not a burden, but an investment. The statement may appear paradoxical, but it it is none the less true. When this tax was reimposed, in 1842, the state of the nation was such as to excite serious apprehension. The injurious effects of the protective system upon trade and industry had reached a culminating point; the people were deprived of employment, and their discontent found vent in political disturbance. Physical force chartism was the product of starvation, it disappeared with the revival of industry. The payment of a direct tax on income, although an ostensible burden, was far less onerous than the indirect taxation which it superseded. Prohibitions and protective duties were thereby removed which prevented the growth of trade, and the result has been an increase in the wealth of the country without parallel in any previous period of its history. Such being the advantages that have resulted from the partial substitution of direct for indirect taxation, the income tax may fairly be regarded by those by whom it is paid as an investment, which has returned them an ample profit upon the amount they have thus contributed to the necessities of the State. Through its instrumentality commerce has been freed from the larger portion of the restrictions placed upon it by duties of customs and excise, and a condition of continuous depression in

trade, manufactures, and agriculture, has been converted into one of almost constantly increasing prosperity. It remains for a Household Suffrage Parliament not only to complete this work, but so to readjust the incidence of taxation that the main portion of the burden may no longer rest upon that class, which, although the most numerous, has the least resources. If property were now fairly taxed, many of the remaining restrictions upon trade might be at once abolished, and the foundations laid for a gradual and progressive scheme of fiscal reform, which would complete the edifice of Free Trade, and, as far as we are concerned, inaugurate the era of unrestricted commerce with all the world.

CHAPTER VII.

THE SESSION OF 1869.

The General Election, held in November, 1868, was so decisive in its character that Mr. Disraeli resigned on the second of December. The "leap in the dark" that was intended to "dish the Whigs" proved the destruction of the Conservative ministry. Mr. Gladstone became Prime Minister, and the Chancellorship of the Exchequer was entrusted to Mr. Lowe.

The new Parliament met for the first time on the 16th February, 1869, and seven days later Sir Massey Lopes moved for a Royal Commission to enquire into the amount, incidence, and effect of Local Taxation. The motion was opposed by the Government, on the ground that, when the great question then before Parliament was disposed of, they were about to bring forward a measure upon the subject, and they did not wish to shift the duty of enquiry upon another and less responsible agency. In consequence of this declaration the motion was withdrawn.

On the sixth of April Mr. Graves moved a resolution in favour of a halfpenny postage for books and newspapers, when, at the conclusion of the debate, the previous question was carried, on the motion of the Government. On the same evening Mr. Sheridan moved the reduction of the Fire Insurance Duty to sixpence per cent., but, at the request of Mr. Gladstone, con-

sented to the adjournment of the debate until after the Financial Statement.

Mr. Lowe introduced his first Budget on the 8th April, 1869, under very unfavourable circumstances. The expenditure for the Abyssinian War had largely exceeded the estimates and left a considerable deficiency to be provided for. The following table shows the estimated and actual finance of the year just closed:—

Estimated Revenue	£73,150,000	Actual Revenue	£72,591,991
Expenditure voted as per appropriation Act and supplementary vote in 1869, including £3,000,000 for Abyssinia ...	£73,484,000	Actual Expenditure including £3,000,000 for Abyssinian War*	£72,972,816
Expected deficiency	£329,000	Actual deficiency	£380,825

The receipts were £558,009 less than the estimate, but exceeded those of the year 1867-8 by the sum of £2,991,773. The items in which there was an increase were the Excise £300,000, Income Tax, owing to the increased rate imposed on account of the Abyssinian War, £2,441,000, Post Office, £30,000; Crown lands, £15,000; and Miscellaneous Receipts £769,774. There was a falling off in the Customs of £226,000, in Stamps of £323,000, and in Taxes of £15,000.

The expenditure for the previous year, omitting the

* In the accounts as finally made up £5,000,000 was charged in this year for Abyssinia, making the total expenditure £74,972,816, and the deficiency £2,380,824; and the total revenue is given as £72,591,992.

Abyssinian War, was £511,184 less than the estimate, a sum which nearly balanced the deficiency of the receipts. The total expenditure, exclusive of the war, was £69,972,816, or £3,192,420 in excess of the expenditure for the year ending 31st March, 1867, while the increase in the revenue over the same year, exclusive of the additional Income Tax imposed for the War, was only £239,423, showing an extra expenditure of nearly £3,000,000, for which no provision had been made by the Conservative Government.

The estimates for the year just commenced, exclusive of the charges for the Abyssinian War, were £68,223,000, a reduction on the ordinary estimates of the previous year of £2,261,000, for which, said Mr. Lowe, "we are mainly indebted to what I will call the heroic efforts of the Secretary for War and the First Lord of the Admiralty." The revenue anticipated during the same year was £72,855,000, being an excess over the ordinary expenditure of £4,632,000, and showing a surplus of that amount, were Abyssinia out of the way. The total charge to be provided for on that account was £4,600,000, so that for all practical purposes the two accounts balanced each other, and produced an equilibrium. This, however, would not provide for the deficit on the previous year's account, and he summed up the situation as follows :—

"We have at this moment almost every element of ill luck that can beset a Government. We have a deficit of £381,000, we have a revenue which shows not the slightest symptom of elasticity—indeed, it is much more like the flaxen thread that the spinner draws out than the band which rushes back to the place from which it has been dragged: we have these depressing circumstances to remember, and we have no surplus whatever. Accordingly if

we were to stay as we are it would be the duty of this House to discover, or at any rate it would be my duty to urge this House to adopt, some mode of replacing the sum to be withdrawn from the balances to cover the amount of the Abyssinian outlay."

Mr. Lowe, however, was not disposed to allow matters to remain as they were, but proposed an alteration in the collection of the land and assessed taxes and the income tax, with the view of creating a surplus which should enable him not only to reduce taxation, but also to place the collection of the revenue upon a sounder basis. Up to that time the assessed taxes, being payable upon the largest number of articles used during the year, were not due till the year had terminated. The returns were then collected, and the amount of duty assessed; the collection of these taxes took place subsequently in two instalments, the first on the 10th of October in the same year, and the second on the 10th of April in the following year, so that a tax might be incurred in one year, assessed in the second, and collected in the third. This was a system which he considered was fraught with enormous mischief, involving great extra cost and considerable loss to the Government through articles eluding taxation in consequence of deaths, bankruptcies and removals. Following the precedent of the dog license, he proposed that the assessed taxes should be converted into excise licenses payable on the first of January in each year, for the calendar year then commencing. No taxes were to be payable upon articles liable to the assessed taxes used during the nine months ending 31st December, 1869, but the taxes already incurred for the year 1868-9 were to be

paid as previously, on the 10th October, and the 10th of April. He also proposed, for reasons of economy, to collect the Land Tax, Inhabited House Duty, and Income Tax, on the first of January for the whole year instead of by instalments. The land and inhabited house duties had previously been collected half yearly, and the income tax in three instalments, viz., the first and second quarters in October, the third quarter in January, and the fourth quarter in April. Under the new system the taxpayer would have the interest of half the money due from him for three months longer than before. There would be an exercise of forbearance for two quarters, the half year due in October, being made payable in the following January, the third quarter would remain as it was, and there would be an acceleration of payment in respect to the last quarter of the tax. Mr. Lowe said respecting the proposal:—

"I think that it is for the interest of small taxpayers, and that it will be found for the interest of the wealthier classes also. At any rate it seems to me to be out of all reason that the annual debt of the taxpayer should not be paid within the year, or that the Government should, not for its own purposes but for those of its debtors, break up the debt into small instalments at great trouble and expense, which must ultimately fall upon the ratepayer himself by the additional expense of collection."

It was estimated that by these means a further surplus would be created of £3,350,000, which added to the surplus on the ordinary budget would give a total of £7,982,000. Deducting from this the Abyssinian claim of £4,600,000, a clear balance would remain of £3,382,000. Having thus created a surplus out of nothing, which, coming in the ordinary

way through the growth of the revenue, would have gladdened the heart of any Chancellor of the Exchequer, he proceeded to unfold his plans for making it available for the general benefit. The principal proposals were threefold: first, the remission of one penny of the twopence added to the Income Tax by his predecessor on account of the Abyssinian War; secondly, the repeal of the shilling duty on Corn, and the consequent taxes levied upon similar articles; and, thirdly, the repeal of the Fire Insurance Duty from and after the following Midsummer, thus going beyond Mr. Sheridan, who had merely moved its reduction.

The shilling duty on Corn, converted in 1863 by Mr. Gladstone into a duty of 3d. per cwt., was intended by Sir Robert Peel to act as a registration duty, but yielded a revenue far in excess of the amount required for that purpose. It varied, during the last ten years of its existence from £499,000 to £971,000, and produced the largest amount of revenue when the failure of the harvest at home placed an additional pressure upon the population. It was condemned by Mr. Gladstone, in 1863, when he changed the mode of assessing the duty, and its destruction by Mr. Lowe, in 1869, was merely the carrying out of that sentence. He summarized its true character as follows. It was a mere registration duty, but one which produced a considerable revenue. There was no more necessity to levy a duty in order to register the arrival of corn than to burn down a house in order to roast a pig. It involved a number of collateral duties on articles like arrowroot, sugar, flour, meal and so on, all kept up for

the purpose of acting as outworks and bulwarks to protect this particular duty. It was impossible to imagine any tax which combined more of the qualities which make a tax odious than a tax on corn. It was a protective duty, raising the price not merely of the portion of the article which paid it, but also of that portion of the article which did not pay it. In reference to this aspect of the question Mr. Lowe observed:—

"If we want to get at the real evils of the tax, let us imagine ourselves applying to it the same rules as we apply to all other protective taxes, and put a countervailing duty on the home-grown article. Just fancy the exciseman let loose upon the barns and the stores of the farmer and the corn dealers, collecting a tax of 3d. per cwt. on their corn all over the country. What a sensation it would create!"

It was a kind of poll tax falling heaviest on the poorest of the people. It was also a tax on a raw material, and had to bear the profits of millers, retailers, and all the persons through whose hands it passed before it reached the poor man in the form of a loaf. In every way it grossly violated the principles of political economy, and the only thing that could be said in its favour was that it was a very little tax.

Such was the indictment preferred against this tax by Mr. Lowe, and the general sense of the country endorsed these views; which, in fact, had been repeatedly enforced upon the attention of Mr. Gladstone, when occupying the Chancellorship of the Exchequer, by the Financial Reform Association, whose head quarters are at Liverpool; and, more recently, upon Mr. Lowe, by the Liverpool Chamber of Commerce.

Mr. Lowe next dealt with the Assessed Taxes, and proposed the repeal of the duty on Hair Powder, producing £925 per annum. He then affirmed the necessity, in order to work the scheme of Excise Licenses (which it was intended to substitute for the existing Assessed Taxes) of having recourse to a system of simplification, and of doing away with a great deal of the complexity which attended the payment of those taxes, even at the risk of relieving the rich from something which they ought to pay, and charging, he was sorry to say, a little more on the poor. It was deemed expedient, in fact it made the duty uniform in order to ensure the permanence of the taxes, and to prevent them becoming an intolerable nuisance to those who would have to send in declarations.

The following were the modifications of taxation effected in connection with the conversion of the Assessed Taxes into Excise Licenses. The duty on Armorial bearings was altered, from £2 12s. 9d., when the person charged possessed a carriage paying £3 10s. 0d. duty, whether the arms were painted on it or not, and 13s. 2d. in other cases, to £1 1s. 0d. in ordinary cases, with an additional charge of £1 1s. if painted or affixed to any carriage. Fourteen different rates of duty on carriages, regulated according to the number and diameter of the wheels, the size and number of the horses or mules by which they were drawn, and whether used privately or kept solely to let on hire, were replaced by two rates, one at £2 2s. 0d. for carriages with four or more wheels, and weighing 4 cwt. or upwards, and the other at 15s. for carri-

ages with less than four wheels or weighing less than 4 cwt. The tax on horses, formerly £1 1s. 0d. for ordinary cases, and 10s. 6d. in the case of Ministers of Religion, Physicians, Surgeons, Farmers, &c., was fixed at a uniform charge of 10s. 6d. The special taxes on Stage Carriages, Hackney Carriages, and other vehicles used for the conveyance of passengers, were repealed, and such carriages were made subject in future to the ordinary carriage duty only. The Postmaster's license duty was also repealed. The tax on servants, formerly £1 1s. 0d., if eighteen years of age and upwards, and 10s. 6d. under that age, was made uniform at 15s. It will be seen that, although in some cases there was an increase, the general tendency of the measure was to afford considerable relief, and, by the simplification of the duties, to render them less obnoxious. The entire repeal of the special taxes on locomotion was a great boon, both to those by whom that public service was conducted and to the travelling public.

Mr. Lowe rightly characterised the duty paid on cabs in London as most monstrous; for the license on each cab was £1, and in addition a shilling for every day it went out. The total amount paid, therefore, on a cab working seven days was £19 5s., and on a cab working six days £16 13s. a year. At the same time the fares were strictly limited by Act of Parliament. With great accuracy he described the vehicles as "ricketty and dirty, and badly appointed," and the horses as "bad and miserable," adding that for all this the poor people were not to blame, but the Legislature that had settled upon them an intolerable

burden, and precluded them from recouping themselves by the means, which are open to others, of throwing it upon the consumers. The repeal of this heavy burden has not yet produced any sensible improvement in the cabs of London, which enjoys the unenviable distinction of having the worst cabs and the worst omnibuses of any city in the United Kingdom. In time, however, some improvement may be hoped for; at all events it was desirable that legislative impediments to amendment should be removed. The tea dealers' license, yielding £73,000 per annum, was also repealed, with a view of extending the sale of that article, the tax on colly dogs in Scotland was to be placed on the tenant instead of the shepherd; and the duty on foreign beer was slightly modified so as to equalize it with that brewed at home.

The amount remitted on the assessed taxes and the taxes on locomotion was estimated at £420,000, and the net remission of the whole Budget at £3,060,000, of which £2,940,000 would fall within the current year. The following would be the net result of these proposals :—

	£
Estimated Surplus, independent of the proposed changes.	32,000
Amount to be obtained by the change in the time of collecting the taxes	3,350,000
Surplus	3,382,000
Amount of Taxation proposed to be remitted	2,940,000
Leaving a surplus of	£442,000

There was only one drawback to the scheme, the Government would have more money in one quarter than was desirable and less in the other quarters.

Mr. Lowe dealt with this disadvantage in the following words:—

"That, no doubt, is a very considerable mischief; but it seems childish to say that we are to go to extra expense and trouble in collecting the revenue merely to preserve a balance of equality between the different quarters of the year. When the revenue is due it ought to be collected. If it is an annual payment it ought to be collected once for the year, and we ought not to be put to the expense of dunning people over and over again for these miserable sums. I can only repeat that it is a great administrative reform that we propose. If the House does not choose to accept that reform, we must make other provision for meeting our position, we cannot leave things exactly as they are. Meanwhile there is our plan and the committee is free to accept or to leave it. If the committee thinks that the present state of things should be maintained we must accept that opinion and act upon it; but supposing, as I hope without presumption, for the sake of argument we may, that the House accepts our proposals, just look at what we shall accomplish. We shall have paid off £4,600,000 of unforeseen obligations, which none of us had the least idea of six months ago. We shall have established, at all events, the nucleus and the germ of a thoroughly sound and sensible mode of collecting taxes, one which will not only yield a much larger sum to the Revenue, but which will be infinitely easier and less troublesome to the taxpayer; and in addition we shall have removed one of the most crying social evils of this country; viz., the enormous obstacles that are now placed in the way of locomotion."

If the Budget were not accepted, Mr. Lowe intimated that there would be no other course but to abandon the proposed remissions, to keep the Income Tax at sixpence, and in some other way make provision for the claims on the Exchequer. The proposal of the Government had many and great advantages. It found a deficit, and left a surplus of £400,000. It found the revenue embarrassed and sinking, and gave the greatest reason to hope that by remissions

of taxation it would raise that revenue again so as to command a considerable surplus. It effected an administrative reform in the collection of the taxes. By a sort of Parliamentary magic it raised money not anticipated by those who collected it, for the plan dawned upon them by degrees. It did all these things with no other or corresponding disadvantage than this—that it made one quarter of the year fatter than the rest. Such was the description of the Budget with which Mr. Lowe terminated his Financial Statement, and there can be no doubt it was fully endorsed by the community generally.

In fact, the proposals of this Budget disarmed serious criticism. The repeal of the duty on Corn was generally approved by members representing great commercial constituencies. The Conservative speakers, while approving the change in collecting the Assessed Taxes, considered it improvident to apply such a "windfall," which could not occur again to the repeal of taxes. In this they merely repeated former criticisms, for it would be difficult to find a single remission of taxation, during the preceding quarter of a century, which they did not denounce as inopportune and ill-advised. Mr. Ward Hunt claimed to be the pioneer of the new mode of collecting the Assessed Taxes, as he had, in the year 1867, converted the Dog Tax into an Excise license; he also claimed credit for the previous Government for having strictly kept down expenditure, to the extent of £500,000, when they found the revenue coming in badly.

Mr. Sclater-Booth having complained that the

Government had done nothing for the Railways, Mr. Lowe replied that the answer was a very plain and simple one, and the question of railway taxation could only be settled by an arrangement being come to between the Government and the railways, with regard to public convenience, the carrying of letters, the conveyance of troops, and other matters.

The resolution repealing the duty on corn and similar articles was proposed on the 12th April, when it was objected to by Mr. Corrance on the ground that the benefit would fall to the foreign producer. He prophesied moreover that the repeal of the Malt tax would be a necessary consequence of this Budget. Then ensued a long debate commenced by Mr. Hunt, who complained that an extra penny had been retained on the Income Tax, not to pay the Abyssinian claim, but to enable the Chancellor of the Exchequer to make remissions of taxation. "The right honourable gentleman's clever scheme would pay the Abyssinian claim without the additional penny, and leave a considerable surplus." No doubt it would, but the country preferred Mr. Lowe's original Budget to Mr. Hunt's suggested alteration, which would have maintained a protective duty upon the food of the people. Mr. Hunt then expressed his surprise that Mr. Lowe had not consulted the Bank of England about the change in the mode of collecting the taxes, and enquired whether, as the Government had to pay interest on the loans it had from the Bank, it would receive interest on its larger balance in January. He urged that the course proposed might create an extraordinary fluctuation in the rate

of discount; because if the Bank, which had now tolerably equally throughout the year the command of the Government resources, were starved of its supply during one half of the year, and then got a better supply than usual at another period, it could enforce its own terms in the Market; and that was putting the Bank of England in a position, the necessity of which was deserving of consideration by the House of Commons. As to payment of Income Tax, Land Tax, House Duty, and Licenses for the whole year in January, he should not be at all surprised if they were to have strong remonstrances from the taxpayers against allowing all these taxes to fall for payment at the same time. Mr. Crawford, the Governor of the Bank of England, considered that the question of advances was a matter for arrangement between the Government and the Bank, and said the scheme was approved in the City, and generally by the public.

Then followed a condemnation of the Budget generally by Mr. Thomas Baring, on the grounds that the system proposed for collecting the taxes was fraught with very disagreeable consequences and some danger. He objected to the repeal of the duty on corn because it could not be replaced, and complained that, "We went on drifting into an entire reliance for our national resources upon direct taxation." Mr. Stephen Cave concurred with Mr. Baring, and said that these proposals were likely, in the case of a disturbance in the commercial or political world, to cause a panic. Mr. W. Fowler, as the law reports say, followed on the same side, and urged that in a

sensitive condition of the money market the new arrangements might be attended with danger.

Such were the opinions expressed by two ex-directors of the Bank of England and a private banker. On the other hand Mr. Alderman Salomons, a director of the London and Westminster, thought the consequences of the new mode of collecting the taxes on the money market had been seriously exaggerated, and Mr. Alderman Lusk, a director of the Imperial Bank, pointed out that the whole amount of the taxes that would be paid at the time indicated was insignificant compared with the money transactions which took place in the ordinary course of business. In the clearing house these transactions frequently reached sixty, seventy, and even eighty millions per week.

In reply to the criticisms of his opponents, Mr. Lowe remarked that no observation had been made that he had not anticipated in bringing in his Budget. The benefits of the Budget could not be obtained at a less price. He then made the remark, subsequently much censured, that the money market must take care of itself. It was composed of men of great ability, whose wits are sharpened to a preternatural keenness by giving their attention to one subject, and who are perfectly able to foresee events and to guard against them, particularly events which come in the regular course. He was sanguine that means would be found to overcome any difficulties, either by borrowing in October and repaying in January; or by arranging with the Commissioners of the National Debt to lend money to the Government instead of investing in October; or by borrowing from the public itself by means of Exchequer bills, at short dates.

The debate was continued by Sir Stafford Northcote, who entertained similar views to those already expressed by Mr. Hunt and others, and said, speaking generally, it was proposed that instead of paying the great bulk of our taxation either quarterly or half yearly, we should pay it once a year. The accuracy of this statement is not obvious, as the taxes dealt with only amount to about ten millions, while "the bulk of our taxation" is raised by Customs, Excise, and stamps, which produce about fifty millions, and are paid neither quarterly, half-yearly, or yearly, but are spread over the entire twelve months, in comparatively small instalments, and are collected at a very heavy cost to the taxpayer.

Upon the resolution for imposing new licenses in lieu of the assessed taxes, there were a number of amendments proposed, but all of them were negatived. During the discussions, Mr. Cross, the member for South Lancashire, described the reduction of the duties upon carriages, &c., as exclusively for the benefit of the rich, and said the Budget was a rich man's Budget. He was answered by Mr. Sclater-Booth, from the same side of the House, who expressed his opinion that the carriage duty had operated as a very considerable restraint upon trade, and that a great stimulus would be given to the coach-making business by the reduction, inasmuch as many gentlemen of fortune would increase the number of their carriages. This is an objection long urged against such taxes by Financial Reformers. As they are defended on the ground that they are taxes on wealth it is to be hoped that, ere long, some less

objectionable mode may be discovered of levying a fair share of taxation upon the wealth of the country.

The committal of the Customs and Inland Revenue Duties Bill was made the occasion of another formal attack upon the Budget by Mr. Ward Hunt. He commenced by admitting its popularity, which arose from its remissions of taxation, and did not complain of the articles operated upon, because he believed, assuming the necessary funds were available, that the selection was extremely judicious. In this he differred, as respects corn, from Mr. Baring and others of his party. He also admitted that a great saving would result from collecting the taxes for the year in January, but apprehended that the inconvenience and pressure which would be thereby created might counterbalance the advantage of saving £100,000. The really sound principle was to collect the taxes in the mode and at the time which would be most convenient to the taxpayers. He then repeated an objection, previously urged by Mr. Henley, that the pressure of the year's taxes would come at the same time as the pressure of the Christmas bills. There is, however, one great distinction between the two payments which he overlooked; the collection of the taxes in one sum during the month of January is a saving, while Christmas bills are an extravagance. Twelve months' credit, which was the old fashioned plan, means enhanced prices to cover the risk incurred by the trader. The abolition of Christmas bills is a proved economy in every household which has tried it, and is the best mode of meeting that difficulty. The extra profit saved by the adoption of

cash transactions would go a great way towards the payment of the taxes required in the month of January, and would thus relieve the pressure of taxation upon the community.

Mr. Hunt then referred to the effect of the change upon the balances in the Exchequer, and quoted the following figures to show the result which he anticipated.

Average amount of Balances during the last seven years.	£	Amount by which the Balances would be reduced by the proposed change. £
30th June	6,190,433	1,850,000
30th September ...	4,140,574	2,450,000
31st December ...	5,708,366	4,620,000
31st March	6,420,268	No effect in ordinary years.

He then added: the right hon. gentleman proposed to wind up the December quarter with a balance of £1,000,000, and the arrangement might be attended with considerable inconvenience to some future Chancellor of the Exchequer, for he really could hardly suppose that Mr. Lowe, after such a proposal, expected to remain in office for another year. Whether he was to be driven from office by the execrations of the taxpayers, or, in anticipation of the retirement of the Government, was preparing a complication for a Conservative Chancellor of the Exchequer, did not appear. Possibly the statement was due to an invasion of the front opposition bench by that "heedless rhetoric," which, according to the leader of the Conservative party, had, up to that time, been the exclusive privilege of Members below the gangway.

Mr. Hunt further observed that the Exchequer would be left so dry on the 31st December, that it

would be necessary to borrow money to pay nearly the whole of the sum due to the public creditor, and that was a state of things which it would be impossible to justify. If the Income Tax had been made payable in the January quarter, and the Land Tax, House Duty, and Assessed Taxes in the July quarter, these evils would have been avoided. Referring to the observation that the Money Market might take care of itself, he said that Mr. Lowe would not have made the remark if he had been Chancellor of the Exchequer four years instead of four months, and that it behoved the Chancellor of the Exchequer to have some thought for the Money Market, for, in the artificial state in which we lived, the Money Market could not be left to take care of itself.

In reply to these criticisms by an ex-Chancellor of the Exchequer, who had filled the office for the long period of nine months, Mr. Lowe observed that as far as the Income Tax was concerned the taxpayer gained the interest on one quarter's tax. With respect to the Land Tax and House Duty he was in the same position as before, one payment was deferred for three months, and the other was accelerated by three months. As regarded the assessed taxes there was something to say. If the calendar year were taken there would be paid £1,000,000 for new licenses, and £600,000 for old duties, instead of £1,200,000, making a loss of £400,000. The assessed taxes, however, were reduced by £200,000, therefore half of the £400,000 would be gained in the first year, and the other half in the next year, so that by the third year the loss would have been recouped by the reduction of

taxes. This was the whole amount of loss or injury in the shape of ready money, and the change was one by which £3,000,000 would be raised.

With respect to the balances, Mr. Lowe said he had given much attention to the subject, and, fortified by very good authority, he was satisfied there would be no real difficulty. Two expedients might be adopted, besides the ordinary ones of borrowing and issuing Exchequer bills. He suggested that in the next money bill the Chancellor of the Exchequer should have power to borrow, on Ways and Means, any temporary deficiency from the trustees for the payment of the National Debt. It was also possible to make the whole of the terminable annuities, now spread over the year, payable in the two quarters when money was most abundant.

Mr. Lowe then argued that when the Government balance was large it was obtained by reducing the reserves held for the purposes of other banks; and that when it was reduced the money found its way all over the country into the country banks, and from them returned through the London banks to the Bank of England. Therefore that which was called draining the Bank of England was little more than transferring the money from one part of the bank to another by a circuitous course. This argument he illustrated by the following statement of the bank reserve before and after the payment of the quarterly dividends :—

"On the first of July, 1868, the Exchequer balances at the Bank of England were £3,110,000, but by the payment of the dividends on the 15th July they were reduced to £689,000; that is to say, they were reduced by no less than £2,421,000. Now, what was

the state of the reserve of the Bank of England at these two periods? When the Government had these £3,110,000 standing to its account, the reserve was £12,979,000; on the 15th July, after the Government account had been reduced to £689,000, the reserve was £12,309,000; that is to say, the reduction of the Government balance by £2,421,000, reduced the Bank of England reserve by only £670,000. The same state of things is shown in all the quarters of the year with slight variations. What does that mean? It means that the money had left the Bank of England by payment of dividends, and had returned in the shape of deposits, the difference in the end being very small; and I apprehend that would be the state of things, even if the Government deposits were very considerably diminished from any cause."

Mr. Lowe believed that was a sufficient answer to the point raised, but if not, he was bound to say that he could not subscribe to the theory that it was the duty of the Government to keep a large balance in the Bank of England, in order that the Bank may be able to exercise control over the Money Market. The Government did not exercise control over any other business than that of banking, and he did not see that the Government should go out of its way to strengthen a great institution like the Bank of England.

Mr. Crawford, the Governor of the Bank of England, regretted the remarks of the Chancellor of the Exchequer, and said that they had created a considerable amount of consternation in the City. He was not prepared to say that inconveniences would not arise and disturbances in the Money Market be created by the way in which it was proposed to collect the taxes. In ordinary times there would be no difficulty, but if the Government came to the Bank of England when the Bank had not the money in its hands, there must

be an action on the Money Market which would be attended with great inconvenience. The Budget, in its general outlines, however, was popular, and was entitled to the support of the House. Mr. W. Fowler again supported Mr. Hunt's objections, but Mr. Alderman Salomons, on the other hand, did not think there was any ground for apprehending any sinister results from the change now made. The Bill was then read a second time without a division, and the new mode of collecting the direct taxes was thus deliberately and formally ratified.

There were also debates during the Session upon the French Treaty, the House Tax, and the Reduction of the National Debt, none of which, however, call for special remark. Mr. Lowe's Budget was carried without any material alteration, and, as the result proved, it did not occasion any of the inconveniencies or calamities which were so freely prognosticated by its opponents during its passage through the House of Commons. At a time when an increase in taxation might fairly have been expected, a surplus was created, by means of which the income tax was reduced one penny in the pound and the duties on corn and locomotion were entirely repealed. These important advantages, moreover, were accompanied by a valuable administrative reform, which materially simplified the assessment and collection of the direct taxes, and laid the foundations of further financial changes of a most beneficial description.

CHAPTER VIII.

THE SESSION OF 1870.

The first financial business of this Session was the appointment of a Select Committee, on the motion of Mr. Goschen, to enquire whether it was expedient to divide local charges between owners and occupiers, and what changes in the constitution of local governing bodies should follow such division. The motion was warmly opposed by Sir Massey Lopes and his followers on the subject of local taxation, on the ground that it was intended to divert them from the real question they wished to consider.

On the 4th of March Colonel Bartellot moved a resolution in favour of substituting a tax on beer for the tax on malt. The Chancellor of the Echequer admitted that he could not defend the tax on principle; it was a tax on a half-raw material, but had this convenience, that it was collected with greater ease and less danger of fraud than a beer tax. He undertook, however, very carefully to consider the question, and when he made his Financial Statement either to accede to the request or to give very good reasons for not doing so. Colonel Bartellot expressed himself satisfied with the reply, said it was a more courteous one than he had ever received before, and therefore withdrew his motion.

Mr. Lowe made his Financial Statement on the 11th April, and was enabled to announce a great

improvement in the condition of the Revenue. The following is a summary of the estimated and actual results for the year ending 31st March, 1870*:—

	£		£
Estimated Income ...	73,515,000	Actual Income	75,434,252
Total amount voted exclusive of Abyssinian charges	68,498,000	Actual Expenditure exclusive of Abyssinian charges ...	67,564,752
	5,017,000		7,869,500
Abyssinian charges...	4,600,000	Abyssinian charges...	4,300,000
Estimated Surplus ...	£417,000	Net Surplus ...	3,569,500

Out of this surplus £1,000,000 was expended in paying off Exchequer Bonds, and £134,000 in purchasing Exchequer Bills, thus reducing the floating debt by £1,134,000.

The actual revenue exceeded the estimate by £1,919,000, and was described by Mr. Lowe as the largest revenue ever raised in this country, except during the last three years of the French War. The Customs produced less than the estimate by £121,000, but there was a gain on the Excise of £863,000; on Stamps of £398,000, and on the Income Tax of £684,000. Mr. Lowe attributed the loss in the Customs to the general belief in the early part of the year that the "free breakfast table" policy, urged by the right hon. the member for Birmingham, would be incorporated in the budget; this caused a falling off, in February and March, of £140,000 in the receipts from

* The figures are taken from the Statistical Abstract, and, having been revised, differ slightly from those mentioned by Mr. Lowe in his Financial Statement.

tea, £10,000 in coffee and chicory, and £153,000 in sugar. The revenue from the last named article, moreover, was not keeping pace with the population, being £334,000 less than it was three years previously. The returns published in the statistical abstract show that there was a falling off compared with the preceding year in sugar and molasses of £107,507. There was an increase in the revenue from licenses of £1,061,148 owing to the changes of the previous year; and a loss in Fire Insurances of £575,793 consequent upon the repeal of the duty, which took effect from the 25th of June. An increase of £1,000,000 was expected in the taxes, owing to the new mode of collection; the actual increase was £1,006,000. The revenue of the Post Office, however, showed no signs of expansion, having grown only £10,000, instead of £220,000, as anticipated.

The total revenue showed an increase over the previous year of £2,842,260, notwithstanding the repeal of the taxes on Fire Insurance, Corn and similar articles, Tea Licenses, Locomotion, one penny of the Income Tax, and a reduction in licenses, substituted for Assessed Taxes, making a total remission of taxation amounting to £3,735,556, of which it was estimated that £2,940,000 fell within the financial year. It is no doubt true that the Income Tax receipts showed an increase of £1,426,000 over the previous year, arising from the fact that the whole tax for the current year, and arrears from previous years were collected within the financial year; but the payers of the tax had an ample compensation in the remission of the penny, which would have yielded during the

year a further sum of £1,450,000, and in their share of the other extensive and important remissions of taxation. Mr. Lowe's Budget of 1869 was fully justified by its results. The revenue again showed signs of recovering its old elasticity after a considerable reduction of taxation. This was attributed by Mr. Lowe, in some degree, to the cheapness of corn, for which, however, he did not claim the credit as the decline in price had commenced before the repeal of the duty took effect.

He then gave some account of the operation of the new mode of collecting the taxes, so much discussed during the previous session. The additional revenue expected from this source was £3,350,000. The actual amount so collected was £4,484,000, an excess of £1,134,000, of which £450,000, was from the new licenses and £684,000 from the Income Tax. The estimate for the license duties was £600,000; the amount really collected was £1,050,000. The following are the words in which Mr. Lowe justified the change by means of which he had secured an additional revenue for the year of £4,484,000:—

"That has been done without the slightest pressure; and, notwithstanding the quantity of wholesome abuse to which we have been subjected, the fact that I have stated shows that the new system is not unpopular, or else we should not have found people so ready to pay. It has been found that the direct method of paying once for all, not for articles used a year and a half ago, but for articles now in use, makes shorter work, and is therefore pleasanter. Whether that is so or not, sure I am that it has answered very well for the revenue, for we have not collected the whole revenue yet, and it already has exceeded our anticipations. We get the benefit now of what we lost so much before by deaths, removals, bankruptcy, and evasions, which are not so easy when a

man pays for a thing he uses, instead of paying for what he used a year and a half before. That result was achieved in a very desirable way, not by pressing hard upon those who did pay, but by making those pay who did not."

At what cost, he then enquired, was this extra revenue obtained. There was none on the house and land tax, as all that was done was to take a mean*; with respect to the Income Tax, taking the amount for the year at £7,500,000, there was a gain to the tax-payer through the forbearance of the October quarter's tax, at 5 per cent. interest, of £22,000. With respect to the assessed taxes for 1869-70, one half would have been paid in Oct., 1870, and the other half in April 1871, but now the whole amount is imposed in January, so that half the tax is paid three quarters of a year, and the other half a year and a quarter sooner than under the old system. The interest thus lost for the two years, at 5 per cent., was £60,000, from which must be deducted the gain on the Income Tax of £22,000, showing that the sum of £38,000 represents the inconvenience which the country was called upon to bear for the additional £4,484,000 realized by the new mode of collection.

The effect of these transactions upon the Exchequer balances was to raise them from £4,707,258 on the 31st March, 1869, to £8,606,647 on the 31st March, 1870. Mr. Lowe acknowledged that this was not an unmixed good, as the balances were larger than was desirable. The evil was predicted and admitted

* These taxes were made payable for the whole year in January, instead of for half the year in October, and the remaining half in April.

during the discussions of the preceding year, and he did not think that the balances had yet reached an unmanageable extent, nor that there would be any difficulty in dealing with the subject. Some mitigation had already been effected by transferring the payment of terminable Annuities from a poor to a rich quarter. Referring to the argument that by paying so much money into the Bank of England at that time, money was made dear, because the Bank was not in a hurry to lend money, Mr. Lowe observed:—

"The inculpated person might say, 'I shall do better for the public in the autumn, when our account with the Bank will be low.' But my censors say, 'That will not help us at all, because though you make money dear by paying so much into the Bank, if you draw so much out you make the Bank poor, and that will create a panic, and everybody knows that a panic is only another name for dear money;' so that whatever I do, whether I keep the Bank full to overflowing, or reduce the amount, my fate is apparently to do mischief. The practical inference is, that as I cannot either way escape my inexorable critic, I had better go my own way, look after my affairs, and leave the moneyed interest to take care of theirs."

The total estimates for the ensuing year were £67,113,000, being less than the previous year by the sum of £1,713,000. There was a decrease in the following items: interest of the National Debt, £50,000; Army, £1,256,000; Navy, £746,000; Revenue Departments, £38,000; Post Office Packet Service, £113,000; and an increase in the Consolidated Fund Charges, owing to the arrangements of the Act for the purchase of the Telegraphs, of £120,000; in the Civil Services, of £100,000; and in the Telegraph Service, of £270,000. The increase

in the Civil Service Estimates was only apparent, and arose from the transfer of the following charges to these estimates:—

	£
The expenses of the Cadastral Survey of the United Kingdom, of Military Prisons and Army Examinations, formerly borne on the Army Estimates ...	151,000
The charges of the Courts of Chancery and Bankruptcy, formerly paid out of the funds of those courts, which are now paid into the Exchequer, by stamps, and the expense of the courts voted instead of being out of the jurisdiction of the House altogether	186,000
Payments transferred from the Consolidated Fund, now voted by Parliament	10,000
Consular Charges, formerly paid by fees... ...	12,000
Total	£359,000

On the other side £8,000 had been transferred to the Post Office Service, making a net amount of £351,000 increase of the Civil Service Estimates, which is a mere matter of account.

There was also an increase of £299,000 in what Mr. Lowe designated the "Automatic Services," which expand of their own accord, or rather in compliance with conditions laid down in Acts of Parliament, without its being in the power of the Department to accelerate or retard their progress. The items of increase were as follows: Education, £155,000; Police, £52,000; Prisons and Reformatories, £92,000. It appears from these figures that there was an aggregate increase in items beyond the control of the Departments of £650,000, while the total increase in the Estimates was only £100,000, showing that in departments where economy could be exercised a saving of £550,000 had been effected.

The revenue for the year was estimated at £71,450,000, or £3,984,000 less than the actual receipts of the preceding year. The difference between the estimated revenue and expenditure left a surplus of £4,337,000, which Mr. Lowe proposed to increase by the sum of £150,000 by means of an Excise License of £1 for the privilege of carrying fire arms in lieu of the existing game licenses, making a total surplus of £4,487,000.

He next proceeded to discuss various proposals that had been made to enable him to dispose of that surplus. First in order he took the one suggested by Mr. Candlish, not to remit taxes, but to apply the whole amount to the reduction of the debt. To this he could not agree, but proposed to convert £7,000,000 of Post Office Savings Bank Stock into Terminable Annuities, to end in the year 1885. The additional yearly charge for interest, consequent upon this operation would be £190,000 during the current year, and £337,000 in the subsequent years.

This reduced the surplus to £4,297,000 for which there were several claimants. Foremost were the brewers, who urged the repeal of the license imposed in lieu of the hop duty. Having carefully considered the matter, and having received information from those who were best acquainted with the question, Mr. Lowe came, to the conclusion that he ought to leave the license as it stood. Next in order came the proposal to convert the Malt Tax into a duty on beer, which was also rejected, because of the opportunity it would give for evasions of the law, the difficulty of taxing private brewers, and the greater cost of collecting

the revenue from 32,500 brewers instead of 9,000 maltsters. In order, however, to meet the claims of farmers for feeding purposes, it was proposed to allow them to steep their barley and feed their cattle with it, on condition that there should be no kiln on the premises, nor within a quarter of a mile thereof, so that there might be a reasonable assurance that the barley was really intended for feeding cattle.

Having decided what he would not do, Mr. Lowe proceeded to unfold his Budget of remissions. Foremost came the heavy license duty of £2 per annum upon foot hawkers, yielding £31,000 a year: the licenses on Paper Makers £1,700; on Soap Makers £1,300; and on Vendors of Playing Cards, Still Makers, and Watch Case Makers, yielding together £3,000. In connection with the Consolidation of the Stamp Acts, a great administrative reform, which reduced a chaos of Acts of Parliament and judicial decisions into a compact and intelligible form, he proposed the following changes:—the abolition of the progressive duty on deeds, that is 10s. upon every 1080 words except the first 1080; the reduction of the duty of 35s. on deeds where there was not an *ad valorem* duty to 10s.; the reduction of the duty on letters of attorney from 30s. to 10s.; and the remission of the tax levied upon copyhold admissions, leaving it upon surrenders only, instead of on both. These changes involved a total remission of £200,000, of which £50,000 would fall in the current year. The duties on Hailstorm, Cattle, Boiler, and Plate Glass Insurance, yielding £1,400 a year, were also repealed. The impressed stamp on newspapers was abolished;

the newspaper postage was reduced to a half-penny, the limit of weight being fixed at 6-oz.; and the book postage was reduced to half-penny for every 2-oz. These various changes involved a loss during the financial year ending 31st March 1871 of £258,000.

Mr. Lowe next proposed an alteration in the duty on Railway Passengers, by the commutation of the tax of 5 per cent upon first and second class passengers into a tax of 1 per cent upon the gross receipts of railways. This change, which would have pressed heavily upon goods lines, was not favourably received by the companies, and was eventually withdrawn.*

He then entered into a long disquisition upon the respective merits of direct and indirect taxation, in the course of which he broached the theory that the Chancellor of the Exchequer was a mere taxing machine, entrusted with a certain amount of misery which it was his duty to distribute as fairly as he could. He concluded his financial proposals by remitting one penny in the pound of the Income Tax, involving a loss during the year of £1,250,000, and, reducing the duties on sugar and molasses one-half, at an estimated cost for the year of £2,350,000.

The total remission proposed, including £108,000 estimated loss on the Railway Duty, was £3,966,000, leaving a net surplus of £331,000, which was subsequently increased, by the withdrawal of the proposal

* See Queen's Taxes, Longmans & Co., pp. 241-253, for a more detailed examination of this proposal and of Mr. Lowe's theory of taxation.

made respecting the Railway Passenger Duty, to the sum of £439,000.

The consolidation of the Stamp laws, although producing a comparatively small effect upon the revenue, was one of the most important features of the Budget. The following table shows the number of Acts of Parliament either wholly or partially repealed in order to carry it into effect.

Reign.	No. wholly repealed.	No. partially repealed.
William and Mary	3	0
William III.	2	0
Anne	6	1
George I.	1	0
George II.	2	1
George III.	29	11
George IV.	6	1
William IV.	4	2
Victoria	13	24
Total	66	40

The sweeping away from the Statute Book of such a number of enactments, and the consolidation of the law relating to the Stamps in two Acts of Parliament, was a great and valuable instalment of legal Reform, the advantage of which must be acknowledged by all who are concerned in transactions involving the payment of stamp duties. It is an evidence that, amid the great constitutional measures, which then occupied the attention of the Government, important practical reforms were not neglected.

The debate upon the Budget was commenced by Mr. James White, who regretted that, with such a surplus, so little had been done in the remission of

indirect taxation, and contended that under the present fiscal system property paid too little and poverty too much. Mr. Crawford approved the proposal respecting sugar, hoped a few days would be allowed to enable traders to dispose of their highly paid duty stocks, and regretted that the Chancellor of the Exchequer had not repealed the duty on coffee, the consumption of which had gone steadily down from 1-lb.10-oz. per head to 15-oz. Colonel Bartellot repeated the old complaint that the Government had done very little for the agricultural interest, and Mr. C. S. Read was much disappointed that nothing was done with the malt duty.

Mr. Ward Hunt considered that the only drawback in the statement arose from the indiscretion of a colleague, and appeared to rejoice that the right hon. the Member for Birmingham was not in the Cabinet when the Budget was discussed, as, in that case, the claims of the free breakfast-table would, no doubt, have been urged with such force that the Chancellor of the Exchequer might not have secured the adoption of his views upon that subject. Mr. Hunt thought the Malt Tax might have been dealt with, and ventured to predict that it would come off as soon as the inhabitants of the towns were sufficiently intelligent and educated to find that they, as consumers, paid the tax. There is no doubt that will be the case, and, were the real incidence of the tax understood by the landowners, they would see the advantage of assuming the burden of that tax by a direct assessment upon the income from their estates, in order to secure the increased value which would

accrue to their property from the repeal of the tax; and with it they would also repeal other duties of Customs and Excise. Upon this point they need education quite as much as the inhabitants of the towns.

In the course of the debate, Mr. Pollard Urquhart, the member for Westmeath, a large landed proprietor, regretted that 2d., or even 3d., had not been added to the Income Tax, in order to secure the repeal of indirect taxation. In opposition to this proposal, Mr. Stephen Cave urged that, if the tax were to press too heavily upon the richer portion of the community, they would be compelled to curtail their expenditure, and would therefore be less able to be the employers of labour; he also said that the misfortunes of 1866 showed them how grievously the reduced circumstances of employers re-acted upon the employed. It would be hardly possible to find a more choice example of a *non sequitur* than this, albeit coming from an ex-President of the Board of Trade. The collapse and utter ruin of speculative trade in 1866 caused great scarcity of employment, therefore the increase of the Income Tax in order to repeal duties, which restrict trade and limit the employment of capital, would have the same result. A farmer might as reasonably anticipate ruin from the capital which he expends in manure for his fields. Mr. Cave's argument was merely a revival of one much used in 1842, when the Income Tax was proposed by Sir Robert Peel, and its hollowness had already been completely refuted by the result of that great experiment. We owe the prosperity of our commerce to the cause which, if Mr. Cave were correct, ought to have proved its ruin.

Upon the Second Reading of the Stamp Act objections were taken to several duties, in reply to which the Chancellor of the Exchequer said that he looked on the Bill, not as a settlement, but as a beginning—as only laying the foundation of future labours in that field; if once they had the old Stamp Law within the compass of a single Act, they would then be able to direct their attention to the great amount of amendment and simplification of which the subject was capable.

Upon the last stage prior to the Third Reading of the Customs and Inland Revenue Bill, Alderman W. Lawrence proposed clauses for modifications in the House Duty, all of which were either negatived or withdrawn. On the Third Reading of the Gun License Bill it was objected to as an infringement of the old right of the people to bear arms, by Mr. P. A. Taylor, Mr. E. H. J. Crauford, Mr. J. White, and Mr. Newdegate; and, as an additional burden on farmers, by Mr. C. Read.

The financial business of the Session was concluded on the first of August, by a supplementary grant of £2,000,000, towards defraying the expenses which might be incurred in maintaining the naval and military services of the kingdom during the war in Europe. Twenty thousand men were voted to be added to the army, in order to enable the country, if called upon, to fulfil its Treaty engagements, especially in respect to the independence of Belgium, which was believed to be threatened by both parties to the gigantic conflict, which inflicted such devastation upon France, and such loss upon Germany. Compared

with the demands that would have been made upon this country, if the policy of non-intervention had been violated, this sum was an insignificant trifle, and the taxpayers of the United Kingdom have every reason to be grateful to Mr. Gladstone's Government for having abstained from an interference, which would have involved the whole of Europe in the war, and would have conferred no advantages, either moral or material, upon the people of this country.

CHAPTER IX.

THE SESSION OF 1871.

For the third year in succession the first financial topic of Parliamentary discussion was Local Taxation, a motion being introduced by Sir Massey Lopes, on the 28th February, objecting to the levying of charges on local rates, for national purposes, from one description of property, and asserting that it was the duty of the Government to enquire forthwith into the incidence of Imperial as well as Local Taxation, and to take steps to ensure that every description of property should equally contribute to the national burdens. The previous question was moved by Mr. Goschen, and, at the close of the debate, was carried by 241 votes to 195. On the 7th of March Mr. Candlish moved a resolution in favour of reducing the National Debt, which, after some discussion, was withdrawn.

In making the financial statement, on the 20th April, Mr. Lowe was able to congratulate the House on the fact that, notwithstanding the Franco-German War, the finances of the country had never given stronger evidence of vitality. The receipts of the year had exceeded the estimates by the sum of £2,311,000; this was partly owing to the transfer of business from France and Germany, and partly to the transfer of capital to this country on account of the disturbed state of the Continent. Taking the last two years he found that the revenue receipts in 1868-9 were, in

round numbers, £72,600,000, and for the year just expired £70,000,000, showing a decrease of £2,600,000. During that period there had been the following remissions of taxation:—

	£
Assessed Taxes, Licenses, Stamps and Sundries	1,000,000
Fire Insurance	1,000,000
Corn, Meal, Flour, &c.	900,000
Sugar and Molasses	2,700,000
Income Tax, Two-pence in the pound	3,000,000
Total remission	£8,600,000

The recovery of the revenue had therefore been £6,000,000 or at the rate of a little more than two thirds of a million for every million of reduced taxation. Notwithstanding this fact and the marvellous increase in prosperity to which it bore witness, there were not wanting members of the legislature who regretted these remissions, and complained that trade and industry had been relieved from oppressive burdens.

The following were the anticipated and actual figures for the year:—

	£		£
Estimated receipts	67,634,000	Actual receipts	69,945,220
Estimated expenditure, including £2,000,000 vote of credit on account of the War in Europe	69,486,000	Actual expenditure, including £1,350,000 of the £2,000,000 voted on account of the War	69,548,539
Estimated deficiency	£1,852,000	Actual surplus	£396,681

The following branches of the revenue were in excess of the estimate:—Customs, £891,000; Excise, £1,128,000; Stamps, £418,000; Miscellaneous,

£179,220. The following branches fell short of the estimate :—Taxes, £125,000 ; the Post Office, £5,000 ; and the Telegraph Service, £175,000. The Income Tax and Crown Lands realized the estimated amount. The net result was an excess of £2,311,220 beyond the amount anticipated by Mr. Lowe. There was hardly an item in the Customs which did not show an increase over the previous year, and the loss from the reduction of the Sugar duties was only £2,177,748 instead of £2,350,000 as estimated by Mr. Lowe. In the Excise the gain on Spirits was £494,710, and on Malt £494,759. The total revenue was less than that of the year 1869-70 by the sum of £5,489,032, of which £3,694,000 was in the receipts from the Income Tax, and arose from the reduction of a penny and the absence of the extraordinary receipts of the previous year. Leaving the Income Tax out of consideration the net reduction of the revenue was £1,795,032, notwithstanding remissions, within the year, of £2,608,000, in the Customs, Excise, Post Office, and Stamps.

The expenditure of the year just closed was £69,548,539, or £62,539 in excess of Mr. Lowe's final estimate, which was £69,486,000. Of the £2,000,000 voted on account of the War, only £1,350,000 was expended, so that the excess on the ordinary charges was £712,539. The increase was, however, more than counterbalanced by the productiveness of the revenue, which left a surplus of £396,681, after meeting all claims. Compared with the actual expenditure of the year 1869-70 there was an increase in the ordinary charges of £633,787.

The estimates for the current year showed a remarkable excess over those of the year just closed. The total sum voted in 1870, according to the Appropriation Act, exclusive of the £2,000,000 on account of the war in Europe, was £67,486,000, the amount actually expended being £68,198,539. The estimates for the year 1871-72 reached no less a sum than £72,308,000, being above £4,000,000 in excess, both of the votes and the actual expenditure, of the preceding year. There was an increase over the lats year's votes in the following items:—Army, £3,487,000; Navy, £386,000; Civil Services, £420,000; Revenue Departments, £86,000, and Telegraph Service, £60,000. In the Civil Service votes, Education showed an increase of £561,000, Police and Prisons one of £50,000, and there was an estimate for the Census of £131,000, making together an addition of £742,000, of which £322,000 was provided for by savings under other heads.

Mr. Lowe estimated the revenue for the coming year at £69,595,000, or £350,000 less than the previous year, on the ground that during that year the receipts were exceptional, and there was no probability they would be maintained. The only items from which he expected any increase were the Telegraph Service, £250,000; and the miscellaneous receipts, £871,000. He anticipated a loss from the Customs of £91,000; Excise, £368,000; Stamps, 257,000; Taxes, £395,000; Income Tax, £250,000; Post Office, £100,000; and Crown Lands, £10,000. Taking the Expenditure at £72,308,000, and the Income at £69,595,000, there appeared a deficiency to be provided for of £2,713,000.

Mr. Lowe rejected borrowing, as a means of meeting the difficulty, as unworthy of consideration, and threw out the suggestion, which, however, he admitted he had no intention of pressing seriously upon the attention of the House, that it might be met by the removal of exemptions such as those in favour of horses employed in agriculture, agricultural and trade carts and waggons, establishment licenses in Ireland, charitable and collegiate funds, and dividends belonging to foreigners residing abroad. These would yield £2,100,000, and there were many others. It is difficult to understand either the necessity or the wisdom of thus exciting hostility by bringing forward confessedly abortive proposals He also rejected any increase in the Customs duties on account of the disturbance it would cause to trade.

Having cleared the ground by saying what he would not do, Mr. Lowe proceeded to unfold his plans, the first of which was an alteration in the Probate, Legacy, and Succession duties. He proposed, with respect to the Probate duties, to remove the distinction between testate and intestate estates, to place all personal property upon a uniform scale of two per cent., and to remove all exemptions, so that property paying Legacy duty should pay Probate duty and *vice versa*. The great exemption from Probate duty, however, was not touched—that of landed property. He next proposed to increase the Legacy and Succession duties upon property inherited by children, from one to two per cent., and upon property inherited by brothers and sisters, from three per cent. to three and a-half per cent. The increase

expected from these changes, during the current year, was £300,000, and subsequently it was expected to be £1,020,000. In addition to continuing the exemption of landed property from Probate duty, Mr. Lowe ignored the injustice of its assessment for Succession duty at a lower rate than personalty. Land, the most solid and stable of possessions, pays upon the life interest of the person who succeeds, personalty on the full value. The usual plea in favour of this anomaly, that real property is burdened with rates, will not bear the test of examination. Rates are paid by the tenant, and are not deductions from the property inherited, which is assessed at its value, *minus* the rates, which become in fact a rent charge. It is certainly a great anomaly and injustice that the hard-earned savings of a life-time, invested in personalty, should be taxed at their full value at the death of the owner, while the broad acres of the landowner, the value of which has been steadily increased, without effort or exertion on his part, by the industry of the class, whose personalty is thus taxed, should escape with a comparatively light burden.

Although Mr. Lowe considered it unwise to touch the existing Customs duties, he did not think it beneath his notice to invent a new tax upon a commodity, or rather to borrow one from that hot-bed of protection and unsound finance, the United States. The farmers would not stand a tax upon their horses and carts; he did not dare to attack the unjust exemptions enjoyed by owners of real property; but the poor Match-makers appeared to offer an easy prey. He therefore proposed to raise £550,000 by

a tax upon Lucifer Matches, on the pretext that taxing matches would lessen the number of fires arising from carelessness in the use of those articles. A more rash and inexcusable proposal it is impossible to conceive, involving, as it did, a recurrence to the policy of small and unproductive imposts on trade, which had for many years been abandoned in English Finance.

Having thus provided £300,000 by Probate, Legacy and Succession duties, and £550,000 by a Match Tax, he still required £1,950,000, in order to leave a surplus; this it was proposed to raise by increasing the Income Tax and changing the mode of assessment. The then rate of 4d. in the £ was equal to £1 13s. 4d. per £100; an increase of a penny in the £ would yield too little and twopence too much, it was therefore proposed to add 10s. 8d. per £100 to the existing rate, making the amount of that tax for the next year £2 4s. per £100, which would raise the exact sum required. The total income, after these changes, was estimated at £72,395,000, which would leave the very moderate surplus of £87,000 over the estimated £72,308,000.

Such were the extraordinary proposals by means of which Mr. Lowe endeavoured to provide for the extravagant estimates which had been prepared by his colleagues; fortunately without success. He was able to carry a great administrative reform in the collection of the taxes, despite strenuous and prolonged opposition, but he was powerless to revive a tax of the nature of an excise upon a manufacture, although the House of Commons, neglectful of its duties, on more than

one occasion voted the tax by what, under ordinary circumstances, would have been called decisive majorities.

The debate upon the Budget was commenced by Mr. James White, who complained that the revenue was understated, and urged that there was no necessity for fresh taxation; if, however, it were deemed necessary he would have much preferred an addition of 2d. to the Income Tax. The Match Tax was defended by Alderman Lusk, Dr. Lyon Playfair, Mr. McLagan, and Mr. Hicks Beach, on the ground that it would prevent fires, and improve the quality of matches. If that were so, it would accomplish what no such tax has ever yet done; in every other known instance, taxation has deteriorated the article taxed. Mr. Fawcett protested against the extravagant, perilous, and wicked expenditure that had been proposed that night, and Sir F. W. Heygate and Mr. Hicks Beach against any proposal to lay a tax on agricultural horses. At the conclusion of the debate, a division took place, when the Match Tax was carried by 201 Ayes against 44 Noes. Majority 157.

Upon the report of the Match Tax resolution there was another debate, in which its only defenders were Dr. Dalrymple, on the safety ground; and Mr. Corrance, because he desired to see the principle of indirect taxation once more recognized by Parliament. The tendency, however, of public feeling on the subject was evident in the fact that Mr. Lowe had to apologize for the proposal, by expressing his willingness to adopt another tax by means of which the same money could be raised, if some one

would only point one out. Mr. Dixon moved the adjournment of the debate, which was negatived, on a division, 50 voting for, and 116 against, adjournment. In the division for the Second Reading of the resolution the votes were, ayes, 113; noes, 51; majority, 62.

On the motion for going into Committee of Ways and Means, on the 24th April, Mr. White moved an amendment, affirming that the additional taxation, proposed by the Government, would entail burdens upon the people which were not justified by existing circumstances. He argued the question upon two grounds; first, that the revenue for the coming year was greatly under-estimated, and, secondly, that the increase in the expenditure was quite unnecessary. There was a long debate upon this resolution, and at its close the Government only succeeded in obtaining a majority of 27, the numbers being, for going into Committee, 257; against, 230. During the debate Mr. Disraeli eulogized the House Tax as one of the soundest portions of our financial system, and protested against its surrender to the local authorities, as proposed by the Government. With respect to the Budget he objected to every proposal of the Chancellor of the Exchequer, and suggested that it should be withdrawn and reconsidered, disclaiming, at the same time, any desire of a party triumph. This debate and the narrowness of the division was not without its result. On the following day Mr. Lowe announced the withdrawal of the obnoxious Match Tax, and, in reply to Mr. Disraeli, said he would make a fresh statement on the following Thursday.

When that day came the statement was made by the

Prime Minister, not by the Chancellor of the Exchequer. The Match Tax had already disappeared, and the increase in the Probate, Legacy, and Succession Duties followed, on the alleged ground that it would be impossible, in the state of opinion then prevalent, to obtain a fair judgment of the proposal on its merits. In lieu, therefore, of these two items Mr. Gladstone proposed a further additional penny on the Income Tax, making the extra tax for the year 2d. in the pound, and allowing the plan of computing it by a percentage to stand over for an impartial expression of public opinion.

Faithful to his traditional policy, Mr. Disraeli attributed the difficulties of the Government to the remissions of the preceding year; he complained that "in the most wanton and unnecessary manner, in a manner which very slightly benefited any class, and, so far as one branch of the revenue was concerned, benefited none," £3,000,000 of indirect taxation had been lost, and now £3,000,000 of direct taxation was required. This, he urged, was a proposition which ought to be gravely considered, and he could not doubt that the Government would propose a suitable day for that purpose. In reply, Mr. Lowe fixed Monday, the first of May.

Those who have carefully watched the progress of fiscal legislation during the last thirty years well know that it has been Mr. Disraeli's invariable policy to denounce remissions of indirect taxation. Untaxed bread and untaxed sugar have been regarded by him with equal disfavour. A few facts will enable a correct estimate to be formed of the value of his cri-

ticisms. In 1852 he refused to admit that the repeal of the corn laws was "wise, just, and beneficial;" in 1871 he denounced the reduction of the sugar duties as a wanton and unnecessary sacrifice of revenue. He condemned the celebrated budget of 1853 as a very great blunder on precisely the same grounds as he censured Mr. Lowe's budget of 1870; and he strenuously opposed the budget of 1860 on the ground that it was imprudent, improvident, and unsafe, and, under the circumstances of the country, replete with danger. The merits of those two celebrated budgets are now universally acknowledged, but the result cannot add to Mr. Disraeli's reputation as a financier, as his direful prognostications have upon every occasion been falsified.

Mr. Fawcett protested against all the increase being borne by direct taxation on a minority, and urged that, although the working man was heavily taxed, the pressure of taxation was much more heavy upon the clerk and poor widow struggling to bring up a family and maintain a certain appearance upon £100 or £150 a year, than upon the skilled artizan with £2 or £3 a week. If, however, the only alternative to an increase in the Income Tax is an addition to the Customs, it is not clear that the classes championed by Mr. Fawcett would benefit by the change, as they would still have to bear their share of the indirect taxation, and added to it the extra burden caused by traders' profits upon the taxes advanced. It is by no means certain that the course suggested by Mr. Fawcett would afford them any relief. Mr. Bernal Osborne, on the other hand, maintained that the only

way to bring about such a reduction of expenditure as was advocated by the hon. member for Brighton, was to make the upper classes, who indulged in the luxury of periodical panics, pay the taxes which they rendered necessary.

The discussion on the first of May was commenced by Mr. W. H. Smith, who moved an amendment on the motion for going into Committee of Ways and Means that it was inexpedient to increase the Income Tax to the extent contemplated by the Government. The main argument on which he relied was the pressure of the tax upon the smaller incomes subject to it. "He believed there was no tax which fell so heavily and so severely upon those who had to pay it as the Income Tax." This may be Mr. W. H. Smith's opinion, but it differs materially from the conclusions of many who have investigated the subject far more completely than he appears to have done. It is no doubt true that the greater number of persons who pay Income Tax pay upon the smallest incomes, but the same fact is true of taxes upon commodities. The difference between direct and indirect taxation is two-fold,—first, the one is seen and the other is not seen; secondly, the one takes from the tax-payer the exact amount required by the State, while the other exacts a far larger sum in an insidious manner. If the amount of loss to tax-payers, involved in indirect taxation, were seen as clearly as the amount paid in Income Tax, there would not be a moment's hesitation as to which would be preferred. The compassion felt by financiers, like the honourable member for Westminster, for owners of small incomes, would be

more real and substantial if they would, at the same time, advocate a mode of taxation which would throw a fair share of the burden upon the more wealthy classes of the community. This, however, is precisely the one thing which never appears to enter into their imagination. Mr. Liddell, who seconded the motion, complained that the tax on Corn had been thrown away, and the Sugar duties reduced, in which he was supported by Mr. Thomas Baring, who repeated the old cry, raised when Sir Robert Peel proposed the tax in 1842, but since completely falsified, that taxing incomes would effectually drive away capital from the country. After a long debate the amendment was defeated by a majority of 85, the number voting with the Government being 335, and with Mr. Smith, 250. Upon the 4th of May Mr. W. McCullagh Torrens returned to the charge, and moved that the Income Tax be increased by one penny only, obtaining 248 votes against 294 for the Government, which on that division had a majority of 46.

On the 11th of May, Mr. Bass put a question to the Chancellor of the Exchequer as to the proportions contributed to the revenue by direct and indirect taxation respectively, to which Mr. Lowe replied as follows :—

	£	£
Direct Taxation, including the Railway Duty		18,165,900
Indirect Taxation		42,744,000
Other sources of Revenue not Taxation :—		
Law Court Fees	421,100	
Post Office	4,770,000	
Telegraphs	500,000	
Crown Lands	385,000	
Miscellaneous receipts	3,229,200	
		£9,305,300
Total		£70,215,200

The proportions were, therefore, as follows:—Indirect taxation about 60½ per cent., direct taxation 25½ per cent., and other sources of revenue 14 per cent.

Upon the motion for going into Committee on the Customs and Income Tax Bill on the 18th May, Mr. Disraeli criticised the financial policy of the Government at some length, and complained that the House had been afforded no opportunity of considering whether it would provide for part of the deficiency by increasing the tea duties, which would expire in August. He said the reduction of the duty from a shilling to sixpence was not justified by the result; there was a considerable increase in consumption so long as there was a gradual reduction ending in a shilling, but the increase since had not justified the further reduction, as the amount of duty was now less than £3,000,000. It appears, therefore, to be a settled policy with Mr. Disraeli that a certain proportion of revenue is to be obtained by taxing articles of consumption, and as tea had fallen below his estimate of what it ought to contribute, the duty might be increased. Upon the same principle he should advocate the restoration of such duties as those on butter, cheese, and eggs, which now produce no revenue at all, although consumption has largely increased. What, however, are the facts as to the consumption of tea? In 1852 the duty was 2s. 2¼d per lb., during the following eleven years ending in 1863 the duty was reduced by gradual stages to a shilling. The consumption in 1852 was 1·991bs. per head, and in 1864, the first complete year of the shilling duty, 3·00 lbs. per head, an increase in twelve years of 1·01

lbs. per head. In 1865 the duty was reduced to sixpence; in 1871, the year when Mr. Disraeli attacked this reduction, the consumption was 3·92 lbs. per head, in the following year, 1872, it reached 4·01 lbs., an increase of 1·01 lbs. per head over 1864, and exactly equal in eight years to the increase that had taken place during the twelve years commended by Mr. Disraeli. So far as consumption is concerned there was no just ground of complaint, nor indeed, unless taxation is to be maintained at the expense of the comforts of the people and the growth of trade and commerce, was there any ground of complaint at all.

Mr. Disraeli next proceeded to consider the respective proportions of direct and indirect taxation, and, in reply to Mr. Lowe, contended that the surplus of the Post Office and the Telegraphs ought to be added to direct taxation, an argument which it is somewhat difficult for ordinary minds to understand, but which may be quite plain to the educator of the Conservative party. If the revenue from these sources is to be included under either head it should come under that of indirect taxation, being paid, not for the general service of the Government, but in return for special services actually rendered and worth the money paid for them. The most legitimate way, therefore, of treating them was that adopted by Mr. Lowe. Mr. Disraeli also contended that, for purposes of comparison, Local Taxation should be included, and fixed the amount, after deducting Loans £8,000,000, at £28,000,000, the whole of which he included under the head of direct taxation.

By this ingenious manipulation of the figures, and by adding the £3,000,000 additional taxation for the year 1871-2, Mr. Disraeli produced the following result:—

Direct Taxation, including Surplus Revenue from Post Office and Telegraphs	£20,619,000	
Extra Income Tax, 1871-72 ...	3,000,000	
Local Taxation	28,000,000	
	51,619,000	
Which he stated in round numbers as ...		£52,000,000
Indirect Taxation		42,744,000
Neutral Sources of Revenue		6,851,000
Total		£101,595,000

His figures as to Local Taxation were, however, inaccurate. According to the summary of the returns for the year 1870-71, given in the twentieth number of the Statistical Abstract, the total receipts in that year were £37,751,100, of which there were derived from Sales or Rents of Property £1,638,600; Government Contribution s £2,117,500; Loans, £5,530,800; Miscellaneous Sources, £3,050,100. These deductions leave £25,414,100 as the total amount raised by taxation, of which £21,202,400 was direct, levied by rates, and £4,211,700 indirect, from Tolls, Duties, &c. The following table gives the correct figures for the year 1870-71; if the extra Income Tax for the year 1871-72 is added, the amount of direct taxation will still be £9,300,000 below Mr. Disraeli's estimate.

Direct Taxation, Imperial	18,165,900	
Ditto, Local	21,202,400	
Total, Direct		£39,368,300
Indirect Taxation, Imperial ...	42,744,000	
Ditto, Local	4,211,700	
Total, Indirect		£46,955,700
Other sources of Revenue,		
Imperial	9,305,300	
Local*	10,219,500	
Total, other sources		£19,524,800
Total		£105,848,800

These figures, however, are not a fair comparison of the amount raised from the taxpayer under each system. Direct Taxation, it is well known, involves no extra cost in its collection, while Indirect Taxation places a heavy additional burden upon the community beyond the amount paid into the Public Treasury.† If this is taken at the moderate estimate of 25 per cent., although 50 per cent. would be much nearer the mark, the respective proportions are as follows :— Direct Taxation, £39,368,300 ; Indirect Taxation, £58,694,600. It is no doubt convenient for defenders of the existing state of things to ignore this important fact, but it must be taken into consideration in order to arrive at a correct estimate of the burden of the two systems of taxation.

The undue pressure of Local Taxation upon real property has long been a favourite topic of declamation

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* Except Government Contributions, already included in Imperial Revenue.

† See The Queen's Taxes, chapter 24, for full details on this point.

with Mr. Disraeli, but when it is considered that a very large proportion of such taxation is for objects which render real property available, as a source of rent, to its owners, the justice of the complaint is not apparent. The shifting of any portion of these charges, especially such as are of long standing, would be nothing more or less than a gratuitous benefaction to holders of property at the expense of the rest of the community, and in the long run would tend to the disadvantage of the very class who should obtain any such relief. A revision of taxation is necessary, but it should take place, not in the interest of the owners of the soil, but in that of the general taxpayers who are now burdened with expenditure for Imperial purposes which for many centuries was placed upon the land.

The proposals of Mr. W. H. Smith and Mr. W. Mc Torrens respecting the increased Income Tax having both been defeated, the Budget passed through the remaining stages, necessary to embody it in an Act of Parliament, without alteration. In Committee, Mr. Alderman Lawrence succeeded in carrying a clause reducing the assessment of coffee-houses and temperance hotels from 9d. to 6d. in the £, but three attempts to exempt horses and carts employed in husbandry from any duty in consequence of being used to convey the owner or his family to or from a place of worship on Sundays were unsuccessful.

The Income Tax was brought before the notice of the House by Mr. David Chadwick, who moved for a Select Committee to inquire into the mode of its assessment, its incidence upon different classes of incomes, the mode of collection, and remuneration paid

for collection. The Chancellor of the Exchequer said he could not agree to the motion, as no subject had been more thoroughly inquired into than the general abstract principle upon which an Income tax should be founded, and he believed a committee would not come to any other conclusion than previous committees had done. He promised, however, to make a most searching investigation into any grievances that the hon. member would submit to him that were not of a speculative character. Upon a division, the motion was defeated by nine votes, the numbers being—for the main question, that the Speaker leave the chair, 56; against that question, 47.

Mr. James White moved a resolution, on the 2nd of June, that it was inexpedient to make provision for the reduction of the National Debt by an annual charge on the Imperial revenue until a considerable diminution had been made in the Customs and Excise duties levied upon articles of domestic consumption. The motion was not pressed to a division, but after some discussion was withdrawn. The reduction of the National Debt is a financial problem, which will no doubt continue to attract considerable attention; of the policy of making a strenuous effort in that direction, during a season of great prosperity, there can be little question, especially when it is considered that, out of the total Imperial taxation of £61,000,000, no less a sum than £26,000,000 is required to defray the annual charges of this enormous dead weight.

CHAPTER X.

THE SESSION OF 1872.

The financial business of the Session of 1872 was mainly confined to the repeal of the extra Income Tax imposed in 1871. The revenue largely exceeded the estimates, and the expenditure, on the other hand, was kept within the limits of the amount voted by Parliament, thus creating a considerable surplus. The discredit brought upon the Government by its abortive Match Tax proposal, the hostility excited by suggestions of taxation upon horses employed in agriculture and upon carts and waggons, the proposal to augment the duty upon legacies to immediate descendants, and upon the failure to secure any one of these methods of increasing the revenue, the addition of fifty per cent. to the Income Tax, might have been avoided if Mr. Lowe had taken a more correct estimate of the revenue, and the Government had kept their estimates of expenditure within due limits. The result has been that, by a considerable section of the public, the valuable reforms of 1869 and 1870 have been forgotten, and Mr. Lowe is best known, in many quarters, as the proposer of the Match Tax, and as the Chancellor of the Exchequer who put twopence on the Income Tax in one year, for the purpose of taking it off in the next. This is, however, a very shallow and inaccurate estimate of his administration of the

National finances. With the exception of the unfortunate budget of 1871 his proposals were eminently sound and beneficial. He gave expansion to trade and industry by remitting duties of Customs and Excise, materially reduced the debt, and has proved himself, next to Mr. Gladstone, the ablest and boldest Chancellor of the Exchequer that has held that office during the present generation.

When the financial statement was made, on the 25th March, the financial year had not terminated, and the figures of the actual receipts and expenditure were merely approximate. There was still one week to run, but it was evident that the total expenditure would be considerably less than the amount that had been granted during the previous Session. Mr. Lowe anticipated a saving, compared with his original estimate, of £588,000, and compared with the amount voted and embodied in the Appropriation Act, of £713,000. When the accounts were finally closed it was found that the expenditure was less than Mr. Lowe's estimate of April, 1871, by the sum of £817,980, and less than the sum named in the Appropriation Act by £942,980. There was a surplus of £50,000 in the Telegraph receipts, after paying working expenses and interest on stocks, which had been applied to the reduction of debt. For abolition of purchase in the army only £340,000 had been required during the year instead of £600,000 as estimated; the amount expended upon education was less than anticipated by £400,000; and the sum of £250,000 in the vote for buildings had not been required. The remaining savings were distributed pretty equally

over each head of expenditure except the Navy, which showed an increase over the estimate of about £8,000

From the final arrangements of 1871 Mr. Lowe anticipated a revenue of £72,315,000; he now expected that it would reach £74,535,000, thus exceeding his original estimate by the sum of £2,220,000. The actual revenue when the year terminated was found to be £74,708,314, the excess over Mr. Lowe's estimate of 1871 being £2,393,314. Compared with the actual revenue of the preceding year there was an increase of £4,763,094, of which £2,734,000 arose from the additional Income Tax, and the remainder from other sources. There was an increase in the following items: Customs, £135,000; Excise, £538,000; Stamps, £765,000, of which £411,442 was in the Legacy and Succession Duty, and £177,312 in Deeds; Telegraphs, £255,000; Miscellaneous receipts, £831,094. The following items showed a decrease: Taxes, £395,000; Post Office, £90,000; and Crown Lands, £10,000. The principal item of increase beyond the Income Tax was in the spirit duties, which were £915,155 in excess of the previous year. British Spirits produced £1,050,000 beyond the amount estimated in the Financial Statement of 1871.

The following table shows the results of the year's finance, as stated, in the Statistical Abstract:—

	£		£
Estimated Expenditure as per the Appropriation Act	72,433,000	Actual Expenditure	71,490,020
Estimated Revenue ...	72,315,000	Actual Revenue	74,708,314
Estimated Deficiency..	£118,000	Actual Surplus..	£3,218,294

In making his Financial Statement, Mr. Lowe es-

timated the expenditure at £72,308,000, which nearly balanced the anticipated revenue. The expenditure having been kept within the limits of his original estimate, and the revenue being largely in excess of his calculations, the result was a considerable surplus, which was applied, in compliance with the statute regulating the disposal of surplus revenue, to the reduction of debt.

The Exchequer balances on the 31st March, 1872, were £9,342,652, or £2,319,217 in excess of the previous year, and £4,635,394 in excess of the year ending 31st March, 1869, when they had been reduced during two years of Conservative finance, from £7,294,151 to £4,707,258. Mr. Lowe summed up the results of his three years' administration, during which time the tax on corn, the stage-coach and hackney carriage duties, and the fire insurance duty, had been repealed, and the sugar duties reduced one half, in the following words :—

"We have bought and extended the Telegraphs for £8,670,000, we have expended £720,000 on Fortifications, we have laid out £400,000 under the Act for the abolition of purchase, and we have paid, without imposing any fresh tax on the people, £1,450,000, voted by the House of Commons as an extraordinary credit to meet the emergencies of war in Europe. We have in addition diminished our debt £12,700,000, and we have added over £4,000,000 to our balances ; or we may state it in another way—our capital expenditure has been £22,800,000, and we have doubled our balances."

The estimates for the year 1872-73 were £71,313,000, or £1,423,000 less than the total votes of the preceding year; they were, however, only £75,923 less than the actual expenditure of that year, excluding the exceptional sum of £101,097 paid on account of the

vote of credit for the war in Europe. The items in which there was a reduction, compared with the previous year's expenditure, were, Interest and Management of the National Debt, £9,601; Army, £697,580; Navy, £392,486. The following items showed an increase: Civil List and Civil charges, £268,007; Revenue Departments, mainly in the Post Office and Telegraph Services, £242,737; and Abolition of Purchase in the Army, £513,000. The revenue for the year, calculated on the basis of the previous year's taxes, was estimated at £74,915,000, leaving an anticipated surplus of £3,602,000 available for the remission of taxation.

In dealing with this surplus, Mr. Lowe first proposed to reduce the duty on tenements occupied for the sole purpose of trade or business, but inhabited by a servant, or other person employed by the occupier, for the protection or care of such tenement and not otherwise inhabited as a dwelling house, on condition that the value of the part inhabited should not exceed £20 per annum. The limit of £20, although sufficient in many places, would have acted very unfairly upon occupiers in the more central situations. The space required for the abode of a person in charge of business premises would be much more valuable, for example, in Westminster than in Lambeth, and there can be no sufficient reason why the exemption should not equally apply in every case. He next proposed to reduce the duties on coffee and chicory one half, remarking that the consumption of coffee had decreased, which fact appeared to prove that it was over taxed. Having dealt with these minor re-

missions, he next turned his attention to the Income Tax, and first proposed to extend the abatement, already made in the case of Incomes of less than £200 a year, to incomes of less than £300 a year, and increased the amount of such abatement from £60 to £80. Then came the great remission of the year, which consisted in taking off the extra twopence of Income Tax imposed to meet the presumed deficiency of the previous year. The following are the amounts which it was calculated would be remitted to the tax-payer by each of these changes:—House Duty, £50,000; Coffee and Chicory, £230,000; Abatement of Income Tax, £310,000; Reduction of Income Tax, £2,720,000.* Mr. Lowe estimated the revenue for the year after these deductions at £71,625,000, and the expenditure at £71,313,000, leaving a surplus of £312,000.

The discussion which followed the financial statement mainly turned upon the high rate of the expenditure, which rendered any great reduction of taxation impossible. Mr. White again complained that the revenue was under-estimated, and did not thank the Chancellor of the Exchequer for merely taking off the twopence Income Tax, which was unnecessarily imposed the previous year; if the incoming revenue had not been persistently underrated the coffee and chicory duty might have been abolished. Mr. F. S. Powell and Mr. Greene regretted

* These are the amounts named by Mr. Lowe in his Financial Statement; the actual remissions, according to the Statistical Abstract, were: Coffee and Chicory £253,169, Income Tax £3,642,000.

nothing was done with the brewers' licenses. Mr. W. Fowler again urged that the collection of taxes in one lump was a cause of great inconvenience, and condemned the Railway Passenger Duty, and the high stamp duty on Patents. Mr. Bowring thought the whole of the coffee duties should have been repealed, and that the opposition of the Chancellor of the Exchequer to Mr. Chadwick's income tax motion of last Session would lead to a general demand for the abolition of that tax. Mr. Ward Hunt claimed credit for having given instructions for a codification of the Stamp Laws when he was in office, which Mr. Lowe said he would have mentioned if he had known that Mr. Hunt had had anything to do with it. Mr. Alderman Lawrence repeated his peculiar views as to the House Tax, and Sir George Jenkinson wound up the debate by recording his protest against a Budget which had not the slightest tendency to relieve the agricultural interest from the oppressive burdens under which it laboured.

Upon the reporting of the resolutions on the 4th April Mr. Vernon Harcourt moved a resolution in favour of a further reduction in the public expenditure, and regretted that the estimates of 1870 had not been adhered to, so that the tea and sugar duties might have been repealed. This brought up Sir John Lubbock, who urged in preference the policy of reducing the National Debt. In the course of his remarks he said, "to hear some hon. members speak any one would suppose that we were a nation of paupers, and that the greatest object of human existence—the highest aspiration of an enlightened people

—was to drink the largest possible quantity of cheap tea." This may perhaps, in the opinion of its author, be a very biting sarcasm, but the fact remains that, although we may not be a nation of paupers, there is within our midst a vast number of paupers and of persons verging on pauperism. The wealth of the country is no doubt great, and ought to be fairly taxed, but it is not worthy of an "enlightened people," who profess the principles of free intercourse between nations, to place such a barrier in the way of free exchange, as now exists in the shape of Customs upon tea, sugar, and other commodities. Sir John added, "if we were involved in any great war, we should bitterly regret the short-sightedness and selfish policy we were now pursuing." With these remarks, the advocates of perfect freedom of trade can entirely agree. It is no doubt a short-sighted and selfish policy to allow the great burden of debt to remain almost untouched, but the short-sightedness and selfishness belong to those who throw so large a burden of taxation on the toiling community, vast numbers of whom earn merely a scanty pittance, while the wealthy contribute, in comparison, a very small modicum of taxation. Heavy taxation in the one case means the deprivation of necessaries; in the other, at the most, the foregoing of some luxury. It would be well if the voice of the classes most affected by heavy taxation could be directly heard in Parliament as well as that of wealthy Landowners, Bankers, and Merchants. Sir John Lubbock has a deservedly high reputation in the scientific world, and there is no question more worthy of his acknowledged powers, and in which he might

render more valnable service to his countrymen than the readjustment of taxation. The condition of the working classes in respect to taxation was once admirably described by Mr. John Bright as resembling that of Issachar, "a strong ass crouching between two burdens;" by means of Customs and Excise, owners of property have now for many generations contrived to throw the weight of the public services upon those who are possessed of the smallest means. The burden of the army and navy has been thrown upon the labouring population, while the prizes of the two services have fallen to the lot of the more wealthy classes. Upon a division, Mr. Harcourt's amendment was rejected by a majority of 43, the numbers being for the Second Reading of the Budget resolutions, 78; against, 35.

It is always gratifying to find objections to Customs Duties, on the ground of their pernicious effect upon trade, endorsed by men of position, whose words are regarded as clothed with authority, as they have power materially to affect public opinion. This was done by Mr. Crawford, the member for the City of London, when the resolution respecting the Coffee Duty was before the House. He desired to call the attention of the Chancellor of the Exchequer to a point of considerable importance; the coffee imported annually amounted to 200,000,000 lbs., but the home consumption was only 30,000,000 lbs., showing that 170,000,000 lbs. were exported. In consequence of the duty the whole of this trade is subject to great drawbacks, which he described in the following words:—

"The duty was levied only on the coffee which came into consumption at home; but all the other coffee imported was subject to a good deal of supervision. It was brought into the docks in ships, landed, placed in warehouses, and Customs supervision became necessary on its account. Some measure ought to be adopted to relieve the Government of this supervision; and he had been informed on very good authority, that the establishment of the docks could relieve the Government of the whole burden of supervision and could even undertake the task of collecting the duty on that portion which came into home consumption."

In reply the Chancellor of the Exchequer promised to consider the point, which undoubtedly deserves attention, not merely in respect to coffee, but also in respect to other articles. Mr. Crawford described a great grievance, but proposed a very inadequate remedy: the supervision and minute harrass and vexation of the trade was to be continued, but under dock, instead of Government, officials. The evils he described are a necessary consequence of Customs duties, and form a portion of the extra price which is paid by trade and industry in order to purchase a seeming immunity from inconvenience in the matter of paying taxes. The real point at issue is the policy of maintaining a system which renders indispensable such unwise interferences with trade.*

In Committee on the Customs and Inland Revenue Bill, Mr. Alderman Lawrence moved to fix the limit of exemption from Income Tax at £150, instead of £100, on account of the increased pressure of taxation and the rise in price of articles of food. The proposal

* This aspect of the question is fully and exhaustively treated in a pamphlet issued by the Financial Reform Association of Liverpool, entitled, "Free Trade impossible while Customs Establishments exist."

was opposed by the Chancellor of the Exchequer, by Mr. Gladstone, and by Mr. Fawcett, who contended that the anomaly would be increased by Mr. Lawrence's amendment, as an income of £149 would pay nothing and an income of £151 on £71. The proper method was that the sum on which nothing was paid should be the sum subtracted from the gross income, so that if £100 was the limit of exemption incomes of £105 should pay on £5. Upon a division the votes were, for the clause, as originally proposed, 108; against it, 65; majority, 43 against Mr. Alderman Lawrence's proposal.

The remission of the House Tax, in the case of places of business occupied merely by a person in charge, was defeated by a majority of one on the motion of Mr. W. H. Smith, who objected to the change on the ground that it was only calculated to benefit people who could afford to pay it. If the hon. member for Westminster is consistent upon this point he will take an early opportunity of urging the extension of the tax to all places of business, for it is quite certain that many occupants of offices and warehouses left without any one in charge are quite as able to pay the tax as those who do leave persons to take care of their premises, nor is there any valid reason why the one class should be exempt from a tax which the other has to pay. It is, moreover, sometimes the case that a tradesman is compelled to reside away from his place of business at considerable inconvenience and expense, in order to secure the health of his family. Why should this necessity be made the occasion of imposing an additional burden upon

him by the Government? An attempt of Mr. Alderman Lawrence to introduce a similar clause into the bill was defeated by a majority of 29, but Mr. Gladstone promised that attention should be given to the subject.

Upon the question of Local Taxation the Session was characterised by the defeat of the Government by a majority of 100, on a motion introduced by Sir Massey Lopes, and seconded by Col. Amcotts for the transfer of charges for the administration of justice, the police, and the maintenance and care of Lunatics from local to Imperial revenues. In the course of his speech Sir Massey Lopes uttered several fallacies, some of which, as they specially refer to Imperial Taxation, deserve notice in these pages. For example he said :—

"How very careful were we as a nation in jealously guarding our Imperial taxation, but how entirely indifferent and apathetic about local taxation. Our accounts of the former were clear and explicit, while with regard to the latter we were quite in the dark."

This no doubt presents a very startling contrast, but the question naturally arises, is it accurate; who are the individuals that so jealously guard our Imperial taxation? The experience of every one who is acquainted with facts, and Sir Massey Lopes has been a Member of Parliament long enough to know, is just the reverse. There is no question which excites so little interest in Parliament as Imperial expenditure, upon which necessarily depends the amount of Imperial taxation. Indifference and apathy are the two words best fitted to describe the attitude of Parliament

with respect to Imperial burdens.* There is no local governing body which is able to incur expenditure for the objects it has in charge, with such utter recklessness and indifference as are displayed by the great majority of the House of Commons. When supplies, amounting to millions, are voted, the bulk of the members are conspicuous by their absence. Neither can it be said that our accounts of Imperial taxation are clear and explicit, so long as they are presented in a form which is utterly unintelligible, except after long and careful study, and so long as they are issued without a balance sheet, which is indispensable to show that the accuracy of the accounts has been proved by a trustworthy system of bookkeeping. The two most costly services, moreover, the army and navy, present no details whatever of their expenditure. In the Finance Accounts the gross totals alone are given. It is also a fact well known to those who have paid attention to Government accounts that the same items appear at different amounts in different Parliamentary papers, without any explanation of the reason of such discrepancies; although such a thing would be impossible if any accurate system of book-keeping were employed. It betrays a very slight acquaintance with the facts for any one to describe our national book-keeping as "clear and explicit." Sir Massey Lopes also observed that :—

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* There can be no better proof of this fact than the division on Mr. Vernon Harcourt's motion on National Expenditure, just twelve days previously, when only 113 members were present to record their votes and only 35 were in favour of retrenchment.

"Imperial taxation was continually being reduced or remitted, while local taxation was constantly being increased by the imposition of fresh charges."

Has there been no increase in Imperial taxation in recent years? In 1835, the year which, in 1849, the late Richard Cobden took for a model budget, the total expenditure for national purposes, including the collection of the revenue, was £48,900,000; in 1852 it was £54,000,000; in 1872 it reached £71,400,000, an increase over 1835 of £22,500,000, and over 1852 of £17,400,000. The increase over 1835 is nearly equal to the whole of the local rates in the United Kingdom, which were, in 1871-72, according to the statistical abstract, £21,786,048. It is no doubt true that many taxes have been repealed and reduced, but the gross amount of taxation has increased. Such remissions have not, moreover, been the result of care and economy in the expenditure, but of the growing prosperity of the community, which has also, in consequence, been rendered more able to bear local burdens.

The result of the division was well described by the *Times* as a "suicidal victory;" it is by no means clear that the result of a full enquiry, and of future legislation, will be in accordance with the wishes of Sir Massey Lopes and his followers. If there is to be a transfer of local burdens there must be a rectification of Imperial Taxation. Poverty must not be compelled to bear an additional weight of taxation, in order that wealthy landowners may be relieved. Those who complain that the Income Tax unduly burdens owners of small incomes cannot consistently

vote for any change which will throw charges upon them from which they are now exempt. The larger proportion of the local rates has long assumed the character of a rent charge upon real property, and is not, in any sense, a legitimate grievance, as property has been purchased and inherited subject to these burdens. Any measure which should throw them, or any part of them, on the general taxation of the country, would be a wanton sacrifice of income belonging to the community, for the benefit of a small section. As far as new charges are concerned the question is open to argument, but even in the case of such charges it has not been proved that the policy advocated by Sir Massey Lopes would be beneficial to owners of real property. Nothing is more certain than the fact that taxes upon trade and industry depreciate the value of real property, and ultimately fall upon it in a much heavier form than if the burden were at once openly and honestly assumed.

There is not a more flagrant example of the mode in which owners of real property have succeeded in evading their just responsibilities to the State, than the Succession Duty. For more than seventy years the landowners were exempt from any duty upon Successions, although they had imposed a tax upon Legacies of personal property. They are yet exempt from Probate Duty, although it is paid on personalty. The Succession duty was estimated to yield £2,000,000 a year, its produce during the last four years has only averaged £700,000. This remarkable failure to produce the amount estimated by Mr. Gladstone is believed to have arisen from two causes, the assessment

of real property on the life interest of the person who succeeds, and large evasions of duty by means of settlements upon sons, the father taking a life rent charge upon the estates. Whenever taxation is re-adjusted, this inequality will unquestionably be brought before the notice of Parliament; it cannot be maintained when the people are thoroughly instructed upon the subject.

CHAPTER XI.

THE SESSION OF 1873.

The shadow of a coming General Election appeared to throw its influence over the House of Commons at the commencement of this Session, for at a very early period two Committees were appointed; the first (in response to a motion, introduced by Mr. Vernon Harcourt, protesting against the excessive nature of the public expenditure and calling for its reduction) for the purpose of enquiring whether any reductions could be effected in the expenditure for the Civil Services; and the second, on the motion of Mr. Holms, to enquire into the existing principles and practice which regulate the purchase and sale of materials and stores for the public departments. Mr. David Chadwick renewed his motion on the Income Tax on the 25th of March, but the House was counted out during the progress of his speech.

The only proposal in anticipation of the Budget was made by Mr. Laing, who moved a resolution condemning taxes on locomotion as opposed to public policy, and indicating the railway passenger duty, and the tax on horses and carriages as worthy of repeal at the earliest possible opportunity, the amount they produced, £1,500,000, being within reach of the ascertained surplus of the coming financial year. Mr. Lowe replied that he was by no means unfavourable to the views put forward by Mr. Laing, but could not

give his assent to the proposal. He hoped his hon. friend would wait till the following Monday before dividing the House, when he could run his horse against the Chancellor of the Exchequer if he did not approve the Budget. Mr. Laing did not press his motion to a division, neither did he accept Mr. Lowe's challenge, when the Budget was produced.

Mr. Lowe commenced his Financial Statement (7th April) by remarking that, notwithstanding an unfavourable harvest, the condition of affairs in France and Spain, the apprehensions excited in the Money Market by the large remittances from France to Germany, strikes at home, and the rise in the price of coal, he had to detail the results of a year of almost unexampled prosperity. The total grants for the year, including the supplementary estimates voted in 1873, amounted to £71,881,000, and the actual expenditure to £70,714,000, being a saving on the total amount voted of £1,167,000, on the Appropriation Act of £949,000, and on the Budget estimate of £599,000. Of the savings £205,000 arose from unexpended money for charges on the Consolidated Fund, and £766,000 in the Civil Service estimates, on the votes for Education and Public Buildings.

The total expenditure for the year ending 31st March, 1872, excluding the sum of £101,097 expended on account of the vote for the War in Europe, was £71,388,923; the expenditure for the year ending 31st March, 1873, was £70,714,448, being a saving on the previous year of £674,475. The decrease occurred under the following heads:—Army, £791,880; Navy, £357,486; Civil Charges, £415,796; National

Debt, £34,748. There was an increase in the payments for the abolition of Purchase of £343,500, and in the Revenue Departments, arising mainly from Post-office and Telegraph extensions, of £581,935. The difference between the decrease of £1,599,910 and the increase of £925,435 made a net saving of £674,475 on the ordinary expenditure of the year.

The revenue for the year was originally estimated at £71,625,000, but the proposal to exempt business premises, occupied by a person to take charge of them, was not carried. This and other modifications in Mr. Lowe's calculations increased his estimate of the revenue to £71,846,000, while the actual receipts were £76,608,770, showing an increase over the revised estimate of £4,762,770; the expenditure being £70,714,448, there was an actual surplus of £5,894,322. The balances in the Exchequer on the 31st March were £11,992,705, an increase of £2,650,053; over the same period of the previous year and the total amount of the National Debt was £785,761,762, being a diminution during the year of £6,899,370.

In estimating the revenue for the current year, Mr. Lowe anticipated that the Customs would yield the same amount as the previous year, and the Excise £38,000 less, that there would be an increase in stamps of £103,000, in Land Tax and House Duty of £13,000, in the Post-office and Telegraphs of £192,000 and £205,000 respectively, and in the miscellaneous receipts of £33,230. The Income Tax would yield £500,000 less than the previous year, owing to the collection during that year of the relics of the previous higher rate. The Crown Lands were taken at the same amount as the previous year.

Mr. Lowe estimated the expenditure for the current year at £71,871,000, and the revenue at £76,617,000, leaving a surplus of £4,746,000. For a large portion of this sum there was a formidable claimant in the Geneva Arbitration which would require a payment of £3,200,000 on the first of October. If the whole of this amount had been placed upon the expected surplus of the year it would have been reduced to £1,546,000, or the proceeds of a penny in the Income Tax. Mr. Lowe, however, took a more favourable view of the probabilities of the incoming revenue than had been his wont, and decided upon providing out of the surplus for one-half the Alabama claims, trusting to the continued vitality of the revenue to enable him to defray the whole amount when it became due. Should his expectations be disappointed, he proposed to issue Exchequer bonds, or Exchequer bills, for the second half of the award. Having thus disposed of £1,600,000 of his surplus, he proposed to divide the remainder, with the exception of a reserved surplus of £291,000, between consumers of sugar and payers of the Income Tax, by reducing the former duties one half, from the 8th of May, at a cost to the revenue, after allowing for increased consumption, of £1,430,000, and by reducing the Income Tax one penny in the pound, at a cost of £1,425,000. He also proposed to abolish the duty on servants employed by hotel keepers, involving a loss of £30,000, which he considered would be balanced by an increase in the sugar duty collected by the Excise, for sugar used in brewing.

Mr. Lowe trusted that the estimates he had presented would be considered satisfactory, and that the

Committee would think the Government had acted in a spirit of fairness and equality to all parties. They had been anxious to hold the balance as evenly as they could between direct and indirect taxation, and to consult, as far as they could, the wishes and interests of every portion of the community. They would not listen to the request to repeal the Income Tax altogether, but had endeavoured to make the burden tolerable, and in reducing the tax on Sugar they would not only largely relieve the consumers, but would strike a vital blow at the very objectionable practice of dressing up sugar to make it pass for a better quality than it actually was, for the purpose of obtaining a bounty in the shape of an increased drawback. The rates of duty were so nearly equalized as to reduce the temptation to such proceedings.

The criticism of these proposals was commenced, as usual, by Mr. White, who on this occasion was able to express his satisfaction with the Budget. Colonel Bartellot regretted nothing had been done with malt, but would not run it against sugar, as he had done on a previous occasion, when he was defeated by 3 to 1. Sir Wilfred Lawson denounced the large revenue obtained from spirits as derived at the expense of public morals. Sir George Jenkinson, Mr. Corrance, and Mr. Gregory complained that nothing was done to benefit the agricultural interest, and Mr. Clare Read was specially aggrieved that the malt tax was untouched, and that nothing was done, in respect to Local Taxation, to carry out the resolution of the previous year, in favour of transferring certain charges to the Consolidated Fund. Mr. Crawford was afraid

that good trade would not continue, complained of surcharges upon the Income Tax, and urged the claims of the brewers' licenses upon the attention of the House. In the last named grievance he was supported by Mr. Greene, a brewer representing Bury St. Edmunds. Mr. W. Fowler renewed his complaints of previous sessions about the collection of the Taxes in January, urged the claims of railways to relief, and, in reply to Mr. R. N. Fowler and Mr. J. B. Smith, who had urged the importance of reducing the National Debt in preference to remitting taxation, expressed his opinion that we were going quite fast enough in that direction. Sir John Lubbock agreed with Mr. Fowler about the present system of collecting the taxes, but differed from him on the question of the National Debt, which he thought the country ought to take more active steps to reduce. Mr. Fawcett urged the importance of modifying the Income Tax as respected temporary incomes, and protested against the idea of borrowing money to pay any part of the Alabama claims.

Upon the report of the Budget resolutions (24th April) Sir H. Selwyn Ibbetson moved a resolution that the brewers' licences should have been considered, and, in reply, Mr. Gladstone admitted that this was a perfectly fair claim to be entertained in future years when other Finance Ministers, or Governments, or the House, might think this claim should be preferred to other claims. At present, however, that was not the case. The motion was not pressed to a division.

A set attack was made upon Mr. Lowe's financial

policy on the motion for going into Committee of Ways and Means, on the 24th April, by Mr. Ward Hunt. He complained that the Chancellor of the Exchequer had under-estimated the revenue of the previous year, that the Government had not reduced expenditure as they had promised, that it was proposed only to provide for half the Alabama award out of the surplus, and that the intended remissions of taxation would prevent the carrying out of Sir Massey Lopes' resolution to transfer certain charges from local to Imperial taxation. He summed up his criticisms by saying the budget would create three disadvantages. It would increase the debt in a time of unexampled prosperity, and throw on the future the liabilities of the present; it would weaken the means of sustaining a source of revenue which, he felt convinced, would be wanting hereafter; and it would make it impossible to fulfil the pledges which the Government had given on the subject of local taxation, or to carry into effect the determination with regard to it at which the House had arrived. After some discussion, however, the motion for going into Committee was agreed upon, Mr. Hunt not thinking it prudent to press for a division. The practice of making such charges, as were preferred by Mr. Hunt in this speech, and not going to a division, is one which is open to severe censure. With regard to his three objections it may be observed that the proposal to throw over half the Alabama award on the following year was practically what was done with the Abyssinian expenditure, £1,300,000 of which was paid in 1870. The second "disadvantage" is one

that Mr. Hunt's party has invariably urged against remissions of indirect taxation, which they have subsequently been compelled by the results to approve. The third objection came with singularly bad grace from a prominent member of the political party which, when in office, concurred in a unanimous vote of the House of Commons condemning the paper duty, and subsequently, when out of office, supported the House of Lords in re-imposing that tax upon the people, after its repeal had been carried through every stage of the House of Commons. This proceeding was alike a violation of their own consistency and of the constitutional privileges of the representatives of the people.

Notwithstanding the fruitless nature of Mr. Hunt's attack upon the Budget the conflict was renewed by Mr. W. H. Smith upon the report, when he moved an amendment, that before deciding upon the further reduction of indirect taxation it was desirable that the House should be put in possession of the views of the Government with reference to the maintenance and adjustment of direct taxation, both Imperial and local. He complained that the budget would leave nothing to be given for the relief of local taxation either this year or next, every farthing of surplus for both years would be swallowed up, and the House would be deprived of the power of dealing with Local Taxation in the sense of the resolution of the previous year if the Budget were accepted. Referring to Mr. Lowe's declaration as to the finality of his last reduction of the sugar duty, he asked whether the further reduction now proposed was not letting

go a valuable source of revenue which bore with no grievous pressure upon the community. In reply to this question, Mr. W. H. Smith might be asked whether a tax can be levied upon a great necessary of life, next in importance, as affecting the health and comfort of the people, to corn, a commodity, moreover, of which this country, from its position and colonial possessions, ought to be the great emporium, without grievous pressure upon the trade and industry of the country. In every way such a tax is most oppressive and injurious, preventing the full expansion of trade, limiting the employment of the population, and thus tending to increase pauperism and aggravate the pressure of local taxation. The evil consequences of such imposts are far more serious and wide-spread than can be revealed by a mere superficial contrast of the apparent ease with which they are collected, with the more ostensible, though less onerous, burdens of direct taxation. If local taxes are to be transferred to the Imperial Exchequer it will become more than ever necessary to examine thoroughly into the incidence of Imperial taxation in order to place a fair share of the public burdens upon owners of real property.

This amendment was directed entirely against the remission of indirect taxation, and its effect was correctly described by the Chancellor of the Exchequer as taking the remission offered to the rich and keeping taxation on the poor.* The great mass

* This was the policy pursued at the close of the French War, when the whole of the Income Tax was removed, but taxes upon the necessaries of the poor were maintained. The precedent was also followed at the close of the

of indirect taxation was borne by the poor, and the great mass of direct taxation by the rich. Reduction in the one, added Mr. Lowe, should be accompanied by reductions in the other. He also characterized Mr. W. H. Smith's resolution as in the highest degree unequal and unjust, reversing the policy of Robin Hood, and stripping the poor to feed the rich.

This declaration as to the incidence of taxation brought up Sir Stafford Northcote, who asked how the deficiency was to be made up if indirect taxes were repealed, and, in reply to the answer "you must tax the wealth of the country," argued that an enormous amount of wealth was in the hands of the working classes, who do not pay Income Tax, and can only be taxed indirectly.* This assertion he based upon an estimate made by Professor Leoni Levi that the income of the upper and middle classes was £500,000,000, and of the working classes £400,000,000. A greater fallacy it is impossible to conceive; it would be as rational to say that because the sum of £9,000,000 is expended in the relief of the poor, the paupers who

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Russian War, the War Income Tax was repealed, war taxes upon tea and sugar were maintained. The bulk of the people were then unrepresented, and had no means of protecting their own interests. Now they have political power the injustice cannot be repeated, except with their own consent.

* It is always assumed by reasoners like Sir Stafford Northcote, that working men can only be taxed by duties on articles of consumption. It is the only way by which they can be over-taxed to the extent they now are. A tax on wages paid by the employer and deducted at the pay table, or an extension of the house tax, would be ample. When the working classes are fully instructed on the question, they will insist upon some mode being adopted less costly and oppressive than indirect taxation.

are in receipt of such relief have that amount of wealth. It is not the aggregate amount of wages received by a class, but the incomes of its individual members, that must be taken as the test of their wealth. Can the agricultural labourer, with his twelve or fourteen shillings a week, or the town workman with twenty or twenty-five shillings, be called wealthy in any sense of that word? The vast majority of the wage-receiving classes have to rise early and work late, eating the bread of carefulness, and with great difficulty providing the barest means of sustenance for themselves and their families, and, because in the aggregate their hard-won incomes, every penny of which is required for pressing exigencies, amount to a considerable sum, they are to be told by Members of Parliament, who have no practical experience of their struggles, that they enjoy "an enormous amount of wealth!" A more harsh, unjust, and erroneous statement cannot be imagined. Let the rich, whose main care and anxiety is, whether they can enjoy, or must dispense with, some luxury, be placed even for twelve months in the position of the poor, they would soon alter their views, and instead of devising means for laying burdens upon them, would, in common charity, and taught by the pressure of actual experience, seek to alleviate their condition. It is no answer to quote Professor Leoni Levi, and say that £60,000,000 of taxation is paid by the upper and £30,000,000 by the lower classes; the one contributes out of his abundance and his superfluities, the other out of his poverty and his necessities. It may be true that among payers of income tax there is much

poverty and suffering, but it is not true that this poverty and suffering will be relieved by laying taxation upon articles which they purchase for the sustenance of themselves and their families. There can be nothing more fallacious than any such endeavour; if the smaller payers of income tax are to be relieved from undue pressure it can only be done by increasing the taxation justly levied upon wealth, as distinguished from the earnings of labour, whether physical or intellectual.

The debate was wound up on the Conservative side by Mr. Disraeli, who contended that the revenue of £90,000,000, with the exception of the £25,000,000 of local taxation, was easily raised; that little distress was caused by it; that the working classes were not immoderately taxed; that they are taxed double the amount in France and Russia, and much more heavily in Belgium than they are here; that they are not discontented with the system of taxation now prevailing, or with the general system which regulates the revenue, or even the property of the country; and that no propositions for change had come from any but "addle-brained professors," who would destroy any country and any constitution if they had their way. He concluded by insisting that it was the duty of the Government at once to deal with local taxation, which had been for years before the country. In his reply, Mr. Gladstone pointed out that the luxuries of the rich were lightly taxed, while those of the poor had to bear very heavy burdens; and, as upon a previous occasion, the amendment was disposed of without a division, the Conservatives not

venturing to elicit an expression of opinion from the House.

The calculations upon which Mr. Disraeli based his observations as to the pressure of taxation were those of Professor Leoni Levi, and not, as he inaccurately described them, of the Statistical Society. The Professor, moreover, differs from Mr. Disraeli in desiring as the ultimate result of fiscal legislation the entire abolition of Customs duties so as to promote international trade. It appears, according to Mr. Disraeli, that the only taxation which causes any inconvenience is the £25,000,000 of local taxation, but £4,000,000 of this is derived from indirect sources, such as tolls, dues, &c., and upon his own shewing is free from objection. Then if we accept his figures as to the income of the two classes we arrive at this result: the working classes, 21,000,000 in number, have in the aggregate an income of £400,000,000, or an average per head of £19, while the remainder of the population numbering 11,800,000 have an average income of £42 per head. Income, however, is not a fair test of the comparative wealth of the two classes. A great deal of property is not productive of income, although constantly increasing in saleable value, and a large proportion of the remainder is let at a low rental, bearing its full fruit in increased value, when it is sold or transmitted by bequest or inheritance. Then of the £400,000,000 income of the working classes Professor Levi estimates that 40 per cent is required to provide for the bare necessaries of existence, reducing the income fairly taxable to £240,000,000. The true mode of arriving at the

respective ability of the different classes to bear taxation is to estimate the capitalized value of their property. Upon this basis the property of the labourer at the utmost is his one year's income, while the property of the landowner is at least thirty years' income. Professor Levi shows that the per centage on the taxable income of the labourer, his only property, is 12½ per cent., while the taxation on the year's income of the other classes is 12 per cent. Is this a fair share of taxation?

For a reply to this question it may be well to consult the authority from whom Mr. Disraeli borrowed his arguments. In reference to this very point, Professor Levi writes, "much, I am sure, may be said in favour of the proposition that all taxes should be arranged and levied on the principle of taking the largest proportional payments from those persons who have the largest incomes, and that the rates of annual assessment should be progressive according to the amount of the same." This, however, is a principle of which Mr. Disraeli, in his anxiety to show that the working classes are lightly taxed, takes no account. Probably he considers it "addle-brained" philosophy, and against the spirit of the age, and therefore unworthy of his criticism. It may, however, be none the less sound, if the principle of equality of sacrifice, upon which Mr. Mill lays so much stress, is adopted as the rule of taxation. To take an equal percentage from a small income and from a large one has the appearance of equality, but lacks the reality. A contribution of £10, out of an income of £100, is a very different thing from one of £100, out of an income of £1,000.

According to the Income Tax returns * there were in the year 1867-8, 268,230 persons assessed under schedule D upon incomes below £200 a year, while there were 857 having incomes of £10,000 a year and upwards. The amount charged under the former head was £19,870,795, and under the latter £19,183,476. Here is an example in which the gross amount of income assessed is tolerably equal, but can it be maintained that it would be equitable to take the same percentage from the small incomes of the 268,230, as from the large incomes of the 857 persons, to whom the gross amounts respectively below? That it would not Parliament has admitted, by granting an abatement in respect to the smaller incomes, but in the case of indirect taxation there is no mitigation of this kind; on the contrary, its pressure is most severe upon the smallest incomes. It is even still more necessary to take into account the source whence income is derived, as the exaction of an equal contribution from the holder of a precarious income, which ceases at his death, and from the owner of an income derived from land, or any other permanent investment, which can be transmitted to his descendants, is more unjust than the levy of equal contributions from large and small incomes of the same character. To say that the working classes are more heavily taxed elsewhere is no answer to the charge that they are most unjustly taxed here. The real question, is not what is done in France or Russia, but

* Inland Revenue Report, 1870, Vol. 2, pp. 202-206.

what ought to be done in England. The leader of the Conservative party asks, what evidence is there that the working classes are dissatisfied with their burdens? What evidence does he require? Is it necessary for them to assemble in thousands and break down park railings in order to convince him and his followers that they are in earnest? The unanimous voice of their organs in the press, and the expression of their opinion in public meetings appear to be insufficient to convince him; it is quite plain that justice in the matter of taxation will never be obtained from the Conservative party until the great mass of the population determines that it will be no longer trifled with in this important matter. When this happens, Mr. Disraeli will, no doubt, be ready to concede their demands, and will then claim to have been the educator of his party in the true principles of Financial Science, as he has already done in respect to the extension of political rights.

CHAPTER XII.

MR. LOWE'S FIVE BUDGETS, 1869-1873.

The appointment of Mr. Lowe to the office of Chancellor of the Exchequer was regarded in many quarters with considerable surprise and distrust, but it soon became apparent that the office was in no unworthy hands. With one solitary exception, the year of the Match Tax and the other abortive proposals which were brought forward in order to supply the additional taxation required to meet a large increase of expenditure, his tenure of office was characterised by the adoption of great administrative reforms in the collection of taxes, combined with large relief to the tax-payers, especially in the remission of taxation, which interfered with trade and industry. The valuable and important financial reforms already achieved under the free trade policy inaugurated in 1842 were not unworthily supplemented by the measures which were carried under the auspices of Mr. Lowe.

The financial administration of the recent Conservative Administrations, first under the management of Mr. Disraeli, and then of Mr. Ward Hunt, had been remarkably simple, and consisted mainly in increasing expenditure and adding twopence in the pound to the Income Tax,—a penny in 1867, and a penny in 1868. The only relief afforded to the tax-payers during that period was the reduction of the duty on Marine Insur-

ances, and of the tax on dogs, the collection of which was transferred to the Excise. The revenue was less than the expenditure during the two years that the Conservatives were in office by the sum of £4,016,849, and the expenditure, exclusive of the Abyssinian War, was more by £2,455,846 in 1867-8, and by £3,192,420 in 1868-9, than it was in the year ending 31st March, 1867.* The only important measure of finance that was carried during this period, the conversion of debt into terminable annuities, was merely the carrying out, in a modified and imperfect form, of a proposal made by Mr. Gladstone in 1866, and then sanctioned by the House of Commons.

When Mr. Lowe assumed office he found the revenue in a stationary condition, with an expenditure to be provided for on account of the Abyssinian War, estimated at £4,600,000. Through the efforts of his colleagues in enforcing retrenchment, he was able to announce an equilibrium in the estimates of expenditure and revenue for the year 1869-70, but had still to devise means of meeting the deficiency of the previous year, amounting to £2,380,825. Additional taxation would have been necessary if things were to remain as they were, but this it was not his intention to allow. He therefore proposed the celebrated scheme for modifying the mode of collecting the Income Tax, Land Tax, and House Tax, and converting the Assessed Taxes into Excise licenses, which gave him a surplus of £3,382,000 after providing the

* Statistical Abstract, 21st number, pp. 5, 8.

£4,600,000 required for the expenses of the Abyssinian expedition. He was thus enabled to repeal the duty on Corn, Meal, Flour, and similar articles, the special taxes on Locomotion, the Fire Insurance duty, and to reduce the Income Tax from sixpence, the amount at which Mr. Ward Hunt had left it, to fivepence in the pound.

These beneficial proposals, as might from former experience have been anticipated, were very warmly opposed. The solitary measure, which found favour with the Conservative party, was the conversion of the assessed taxes into Excise licenses, the merit of which Mr. Hunt claimed for himself, as the originator of the dog license. The opposition, however, had but little support in the country, the Budget being extremely popular, as the remissions of taxation which it secured more than compensated the public for any inconvenience that might be felt during the period of transition from a mode of collecting the taxes, which was unsound in principle and productive of serious evils in practice, into one which was based upon true principles of financial administration. During the debates Mr. Lowe proved himself more than a match for his combined assailants, although reinforced by several well known city authorities, and vindicated his proposals so completely that they were adopted by Parliament without modification. In practice they have entirely falsified the predictions of his opponents, and there is now no considerable section of the public that is desirous of reverting to the condition of affairs that existed prior to Mr. Lowe's reforms.

One of the principal complaints urged against the

change in the time of collecting the Income Tax, was that five quarters had to be paid within the financial year. Mr. Disraeli himself did not think it beneath his dignity to employ this exploded grievance as an election cry, although he must have known that it could not be avoided whenever the change was made, which required the whole year's tax to be collected within the year; it was, moreover, associated by Mr. Lowe with the reduction of the Income Tax by a penny, and by such a remission of other taxation as provided a complete compensation for any inconvenience that might otherwise have been experienced. For an example of the real effect of this change as respects the Income Tax, the case of an income of £300 a-year may be taken. If no alteration had been made the tax would have remained at sixpence, and the owner of such an income would have paid one quarter's tax of the previous year, and three quarters of the current year, in all £7 10s. Mr. Lowe reduced the tax by a penny for the current year, so that there had to be paid, during the financial year, one year's tax at fivepence amounting to £6 5s., and one quarter's arrears at sixpence £1 17s. 6d., making the total payment £8 2s. 6d., or 12s. 6d. more than would have been paid under the old system. As compensation he had his corn free of duty, the Fire Insurance Duty repealed, and the benefit of the repeal of the special taxes on locomotion. This calculation moreover presumed that the tax would have been continued at sixpence, whereas it would in all probability, but for Mr. Lowe's scheme, have been raised to sevenpence, and there would have been paid one quarter at sixpence

and three quarters at sevenpence, or £8 8s. 9d. instead of £8 2s. 6d. It is difficult to discover any hardship in such a case as this, and it is typical of a very considerable class. The more wealthy taxpayers derived an additional advantage from the reduced duty on horses, carriages, and servants, and all classes escaped the additional taxation that, but for Mr. Lowe's proposals, would have been required in order to meet Mr. Ward Hunt's deficiency.

The influence of the budget of 1869 extended beyond that year. By means of the vitality which it imparted to the revenue, Mr. Lowe was provided with a second surplus in 1870, which enabled him to reduce the sugar duty by one half; to repeal several small trade licenses; to abolish the impressed stamp upon newspapers, originally imposed for the purpose of keep- the people in ignorance, to concede the great boon of the half-penny book and newspaper postage, and to effect beneficial alterations in the rates of letter posting age; to reduce several stamp duties; and, lastly, to remit another penny of the Income Tax. Concurrently with these changes he carried that great measure of administrative reform, the consolidation of the Stamp Laws, which compressed into two Acts of Parliament the numerous and varied statutes and judicial decisions, regulating this branch of the revenue, which had gradually accumulated during one hundred and eighty years. By this important measure a vast mass of crude and unintelligible law was consolidated into a compact and handy form, so that the regulations affecting the stamp duties can now be understood with comparative ease. The

foundation was also laid for a complete revision of these duties whenever Parliament may consider it desirable to undertake that task.

It is a matter for sincere regret that the lustre of these great achievements should have been dimmed by the Match Tax proposal of 1871, which cannot be otherwise described than as an attempt to revive a most objectionable system of taxation, in order to meet an unnecessarily heavy expenditure. That an administration of free traders should attempt to resuscitate small and harrassing taxation upon trade and manufactures, in any form, is a phenomenon of which no adequate solution has yet been promulgated. Although carried upon three separate occasions by decisive majorities in the House of Commons, the impost was so obnoxious to the public that it had to be abandoned, and with it fell the proposal, made at the same time, to increase the Legacy Duty upon property left to immediate descendants, and the novel mode of calculating the Income Tax by a per centage. The Prime Minister had to come to the rescue of the Chancellor of the Exchequer, and made the announcement in the House of Commons that, in lieu of the original budget, twopence would be added to the Income Tax. Such were the results of a departure by the Liberal Administration from those principles of economy with which, in 1869, they so worthily inaugurated their tenure of office. It may be said of the Match Tax that

"Nothing in his life
"Became him like the leaving it,"

but the mere proposal will remain a serious blot upon the escutcheon of the Gladstone Administration.

The violent opposition of the Conservative party to the increase of the Income Tax, in order to meet the extraordinary expenditure of the year, is an admirable illustration of the truth of Lord Brougham's remarks on the effect of party,* in which he notices the fact that both Whigs and Tories in office have supported measures which in opposition they condemned, and *vice versa*. When Mr. Disraeli was in office he proposed an increase of the Income Tax in order to meet the expenses of the Abyssinian Expenditure, on the ground that the extra expenditure was merely temporary, and that the increase of indirect taxation for such a purpose would have a very prejudicial effect upon trade and industry. The expenditure which rendered necessary the extra twopence proposed in lieu of Mr. Lowe's original Budget was equally temporary, and the argument against increasing indirect taxation was as strong as in 1867. Notwithstanding these facts the Conservative party, oblivious of their own previous conduct, divided the House once on their own account, and again in support of Mr. W. M. Torrens, in opposition to the very proposal they had themselves adopted, when in office. It is evident that, in this instance, consistency was not one of the "constitutional" principles which regulated their political conduct.

The satisfactory condition of the revenue for the year 1871-2 enabled Mr. Lowe to include in his Budget of 1872 the repeal of the extra twopence added to the

* Lives of Statesmen of the Reign of George the Third.

Income Tax in 1871, and the reduction by one half, of the duties on Coffee and Chicory. In 1873 he was placed in a position to effect a further reduction of one half the surviving sugar duties, and to reduce the Income Tax from fourpence to threepence in the pound, a lower rate than any at which it had been fixed at any period of its existence. He also abolished the tax upon male servants employed by hotel keepers, thus placing them, in this respect, on the same footing as other trades.

The following table, compiled from the twenty-first number of the Statistical Abstract, gives a summary of Mr. Lowe's budgets, and shows very clearly the remissions of taxation which were effected during his tenure of office. It is quite evident that, although Mr. Lowe divided his remissions with tolerable equality between direct and indirect taxation, the lion's share of advantage was conferred upon the middle and upper classes. The amount of relief which they obtained from the reduction of the Income Tax, Assessed Taxes, and Stamps, and the abolition of the duty on Fire Insurance was £6,673,383; while the remission of Customs and Excise, the only way in which any advantage could be obtained by the wage-receiving classes, was only £5,777,915. This sum moreover was not exclusively appropriated by them, as the articles upon which taxation was repealed or reduced were of universal consumption in every rank of life. If only one-fourth of these duties were paid by the upper and middle classes their total relief from taxation, during this period, was £8,117,861, while that of the working classes was only £4,333,437.

This fact is an admirable illustration of the inherent inequality of all taxes upon consumption.

SUMMARY OF MR. LOWE'S BUDGETS.

		£	£
	Customs repealed:—		
1869.	Corn, Grain, Meal, Flour, and other Farinaceous Substances ...	864,436	
	Customs reduced:—		
1869.	Beer and Ale, except Spruce ...	1,251	
1870.	Sugar, Molasses, Succades, Confectionery, &c.	2,783,281	
1871.	Chloroform and Plums preserved in in Sugar	45	
1872.	Chicory and Coffee	243,169	
1873.	Sugar, Molasses, Succades, Confectionery, &c.	1,617,380	
		5,509,562	
	Less Customs increased:—		
1869.	Spruce Beer; 1870 Perfumed Spirits; 1871 Chloral Hydrate; 1872 Chloroform	2,647	
	Net remission of Customs ...	...	5,506,915
	Excise repealed:—		
1869.	Licenses on Tea Dealers, Post Horses, Stage Carriage Duty and Licenses, Hackney Carriage Duty and Licenses	366,000	
1870.	Licenses on Foot Hawkers, Paper Makers, Soap Makers, and other Trades	37,000	
1873.	Servants at Hotels	30,000	
	Excise reduced:—		
1870.	Sugar, home made	3,000	
1872.	Chicory	10,000	
		446,000	
	Carried forward	£446,000	5,506,915

		£	£
	Brought forward	446,000	5,506,915
	Less Excise imposed and increased :—		
1870.	Gun License	75,000	
	Sugar used in brewing ...	70,000	
1873.	Ditto	30,000	
		175,000	
	Net remission of Excise		271,000
	Stamps repealed :—		
1869.	Fire Insurance Duty	1,000,000	
1870.	Impressed Stamp on Newspapers...	120,000	
	Various reductions	201,400	
	Net remission of Stamps		...1,321,400
	Assessed Taxes repealed and reduced :—		
1869.	Hair Powder repealed	995	
	Armorial Bearings, Carriages, Horses, Servants, and Horse Dealers, converted into Excise Licenses, at an estimated reduction of	52,988	
	Net remission of Assessed Taxes		53,983
	Income Tax reduced :—		
1869.	From 6d. to 5d.	1,450,000	
1870.	„ 5d. „ 4d.	1,500,000	
1872.	„ 6d. „ 4d.	3,642,000	
1873.	„ 4d. „ 3d.	1,756,000	
		8,348,000	
	Less Income Tax increased :—		
1871.	From 4d. to 6d.	3,050,000	
	Net remission of Income Tax ...		...5,298,000
	Total remission of taxation		£12,451,298

It is worthy of notice that the only remissions, to which objections were raised by the Conservative Party in the House of Commons, were those

effected in the Customs. Wealthy members of that party accepted relief when offered to themselves, but murmured when it was extended to their poorer brethren. Mr. Disraeli described the reductions of indirect taxation which took place in 1869 and 1870 as wanton and unnecessary. Mr. W. H. Smith complained of the reduction of the sugar duty in 1873, as sacrificing a valuable source of revenue, and Mr. Ward Hunt protested against it, on the ground that it would prevent Parliament from granting to the owners of the soil that relief from local taxation which would result from the measures advocated by Sir Massey Lopes. The right of the working classes to share in the benefits obtained through the national prosperity, towards the creation of which their labours had so largely contributed, was practically denied, and the whole relief, if Conservative policy had prevailed, would have been appropriated by the middle and upper classes. These facts should be widely known and carefully remembered by working men.*

Mr. Lowe's services as Chancellor of the Exchequer were not confined to the mere remission of taxation. During his tenure of office very considerable progress was made with the reduction of the National Debt,

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* *The Times*, in a recent criticism of the Gladstone Ministry (February, 1874), says of Mr. Lowe, "To maintain an equable pressure of taxation was believed to be another firmly settled article of his creed, but this was, in its turn, as lightly abandoned as the rest." *The Times* no doubt writes in this strain in the supposed interest of its old clients, the owners of property. It would, however, have been a very curious way of maintaining "the equable pressure of taxation" to have excluded the working classes from the benefits of surpluses which were mainly created by their increased consumption of taxed commodities.

that incubus which has rendered necessary so much of our taxation, and which would now have had no existence, if sound principles of finance had been adopted in the early part of the great French war, instead of being delayed until a very considerable debt had been accumulated.* The following table shows the capital amount of the debt on the 31st March, 1869, the last year during which Conservative finance was operative, and on the 31st March, 1874, the last of the five years during which Mr. Lowe was Chancellor of the Exchequer.

TOTAL AMOUNT OF THE NATIONAL DEBT.

	Year ending 31st March. 1869.	1874.
Unredeemed Funded Debt, inclusive of Unclaimed Stock and Dividends	£ 741,112,640	£ 723,514,005
Estimated Capital of Terminable Annuities (computed in 3 per cent. Stock)	55,471,424	51,289,640
Unfunded Debt	8,896,100	4,479,600
Total, Funded and Unfunded	805,480,164	779,283,245

It appears from these figures that the capital value of the debt was reduced by £26,196,919 during Mr. Lowe's tenure of office, and that the funded debt, exclusive of the estimated capital of terminable annuities, was £17,598,635 less at the close of that period than it was at the commencement; £4,416,500 of unfunded debt having also been paid off. These important results were accomplished, notwithstanding the fact that Mr. Lowe had, upon assuming office, to

* See Ante, p. 3.

provide £4,600,000 for the expense of the Abyssinian expedition and, in that and subsequent years, to raise money by creation of debt in order to pay for the telegraphs, and for fortifications and army localization. A recent parliamentary return* gives the following interesting particulars respecting the National Debt for the five years ending 31st March, 1874:—

	£
Amount of Stock created for Purchase of Telegraphs, and equivalent in Consols of the Terminable Annuities created on account of Fortifications and Army Localization	11,767,800
Debt paid off, including Unfunded Debt, but exclusive of Diminished Capital Value of Terminable Annuities	21,516,387
Decrease of the National Debt, taking into account the total amount of debt created (£11,767,800) as above	26,196,919
Ditto, not taking into account the £11,767,800 created	37,964,719
Net estimated amount of taxation remitted during the same period	12,451,298

It appears, therefore, that the reduction of debt effected during five years by Mr. Lowe would have been nearly £38,000,000, if he had not had to create stock for the purchase of the telegraphs and for other expenses provided by terminable annuities. During the same period he was able to give the public the benefit of a remission of taxation, amounting to above £12,000,000 sterling.

These are really solid and substantial achievements which place Mr. Lowe in the front rank as a Chancellor of the Exchequer. His one great fault

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* National Debt, 1857-8 to 1873-4. No. 307, Sess. 1874.

was an error which "lean'd to virtue's side," a tendency to under-estimate the revenue for the incoming year. For this he was duly censured by Mr. James White, whose calculations upon the estimated revenue always proved remarkably sound, and whose services as a "People's Chancellor of the Exchequer" had for many years been most invaluable. His Parliamentary career conferred distinction upon the constituency which he represented, and it is not merely a local, but a national loss that, through some unaccountable caprice, which it is to be hoped is only temporary, he has been excluded from the House of Commons, by the constituency which he had so long and so faithfully represented. The error of under-estimating the revenue is, however, of far less moment than the converse one of over-estimating it, for the result of the one is merely the application of a large surplus to the reduction of debt, while the other leads to embarrassment, and involves fresh taxation. Temperate and cautious estimates have generally been considered a mark of financial prudence.

Two charges have been brought against Mr Gladstone's Government in respect to finance: the first, that it did not reduce expenditure; the second, that it raised an excessive revenue. With respect to the former of these accusations, a comparison between the year ending 31st March, 1869, the expenditure of which was arranged by the Conservative Government, and the year ending 31st March, 1874, the last year for which Mr. Gladstone's Government was responsible, furnishes a complete and conclusive answer. For the former year, excluding the Abyssinian War, the

total was £69,972,816; for the latter, excluding the Alabama claims and the Ashantee War, it was £72,469,635; this is an apparent increase in ordinary expenditure of £2,496,819, and, to the superficial observer, is a confirmation of the charge. The increase is, however, to a considerable extent, merely apparent, and vanishes upon examination. In the first place, allowance must be made for three important items, included in the accounts for the year 1873-4, which had no existence as matters of Government account in the year 1868-9. They are the vote for the Army Purchase Commission, £713,974; the Telegraph Service, £1,062,955; and the expenses of the Courts of Bankruptcy and Chancery, £208,592. The first of these charges is the price which the country has to pay for bringing the army more effectively under control, and for the abolition of a vicious system of promotion which had long been condemned by public opinion. The transfer of the telegraphs to the State was the work of a Conservative administration, and was effected at great cost, the compensation paid to the Companies having been of a most excessive character; the maintenance of this service, however, is paid out of receipts for the transmission of messages, not out of the general taxation of the country. The expenses of the Courts of Bankruptcy and Chancery were formerly defrayed by the Courts themselves out of the fees they received, but are now charged in the estimates, the fees on the other hand being received into the Exchequer, and the whole transaction being a mere matter of account. When these three items, amounting to £1,985,521, are

allowed for, the expenditure of the year 1873-4 is reduced to £70,484,114. It is also necessary, in order to arrive at a fair conclusion, to take into account the respective cost of the Post Office Service for the two years. In 1868-9 it was £2,445,137, and in 1873-4 it reached £2,732,341, an increase of £287,204, which represents not merely an increase of facilities for the public, but a growing revenue for the State. In the year 1868-9 the Post Office contribution to the Exchequer was £4,660,000, in 1873-4 it was £5,792,000, an excess over the former year of £1,132,000, so that the extra expenditure of £287,204 for the cost of the service is a profitable investment. When allowance is made for this further item of £287,204 it will be found that the expenditure for the year 1873-4 is reduced to £70,196,910, an excess of £224,094 over the year 1868-9. There are still the "Automatic Services" to be accounted for; these are independent of the Treasury, and cannot be fairly overlooked, if it is desired to form an accurate comparison. The respective expenditure under these heads for the two years was as follows:—

	Year ending 31st March. 1869.	1874.
	£	£
Education Science and Art ...	1,380,962	2,426,250
Police	1,639,903	1,846,931
Prisons and Reformatories ...	857,686	947,879
	3,878,551	5,221,060

It appears, therefore, that the increase under these

three items was £1,342,509, of which £1,045,288 was owing to the progress that had been made, during that period, in the provision of additional facilities for the education of the people, an expenditure which few will regret, although it involves further demands upon the National Exchequer. In any case it is now unavoidable, so far as the Treasury is concerned, and must be allowed for in considering the comparative extravagance or frugality of the Government. Taking all the circumstances previously mentioned into account it will be seen that the controllable expenditure for the year 1873-74 is reduced from £72,469,635 to £68,854,401, or £1,118,415 below the expenditure of the year 1868-69. This important saving has, moreover, been effected, despite the great rise in prices, which advanced the cost of stores of all kinds, and the increase of wages which affected all the Government establishments.

A return recently laid before Parliament, on the motion of Mr. Childers,* gives an analysis of expenditure showing the total charge on the taxes, excluding votes of credit for the Abyssinian war, the abolition of purchase, the Ashantee expedition, and the Alabama claims. From this return it appears that the total ordinary expenditure defrayed by taxes, for the year 1866-67, when Earl Russell was Prime Minister,† was

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* Public Expenditure, 1857-8 to 1873-4. No. 308, Ses., 1874.

† Lord Derby assumed office in July, but the financial arrangements of the year had already been completed, and were the work of the previous administration. This fact was admitted by Mr. Disraeli in his Financial Statement for 1867.

£58,588,000; in the two following years, when the Conservatives were in office, first under Lord Derby and then under Mr. Disraeli, it reached £61,232,000 in 1867-68, and £61,172,000 in 1868-69; the amounts for the five years of Mr. Gladstone's adminstration were as follows:—1869-70, £58,694,000; 1870-71, £60,088,000; 1871-72, £60,630,000; 1872-73, £59,065,000; 1873-74, £59,773,000. The actual saving to the taxpayers in 1873-74, as compared with 1868-69, appears from these figures to have been £1,399,000. The revenue received from other sources than taxes, *i.e.* the Post Office, Telegraphs, Crown Lands, Law Fees, and Miscellaneous Receipts, was £8,800,000 in 1868-69, and £11,983,000 in 1873-74, an increase of £3,183,000.

Similar observations are applicable to the second accusation. The revenue for the year 1868-69 was £72,591,991, and for the year 1873-74 £77,335,657. From this must be deducted, for purposes of comparison, Telegraph receipts, £1,210,000; Bankruptcy and Chancery Fees, £169,770; increase on Crown Lands, £15,000; Post Office, £1,132,000; Miscellaneous receipts £526,665; leaving a net increase of £1,690,231. The return already referred to shows the amount actually received in taxes to have been, for the year 1868-69, £63,792,000, and for the year 1873-74, £65,353,000; an increase of only £1,561,000. This increase, however, is not consequent upon additions made to taxation during Mr. Lowe's tenure of office, but in spite of reductions amounting to upwards of £12,000,000. The complaint susually preferred against his financial

administration are rather contradictory; first, it is said, that he has made remissions that were wanton and unnecessary, next that he has raised an excessive revenue. The one grievance may be fairly used as a set off against the other. The main items of increase are in spirits and malt, and have been caused by the great prosperity of the consuming classes. The customs show a decrease of £2,000,000, and the Income Tax of £2,900,000, both owing to reductions of taxation, while spirits and malt, the duties on which were unchanged, show an increase of £6,400,000. If the financial policy advocated by the Conservative party during the late Parliament had been pursued there would not only have been no remissions of indirect taxation, but it is exceedingly probable that fresh imposts would have been necessary to meet the extra expenditure that, from various causes, was rendered unavoidable during that period.

Under such circumstances it is matter for congratulation that the administration of the National finances was conducted upon the sound principles which had already been applied with such great advantage by Sir Robert Peel and Mr. Gladstone; the result was apparent in the improved condition of the revenue. The large remissions of taxation that were effected during the five years of the Gladstone Administration were accompanied by a marked increase in the amount collected. The balances in the Exchequer at the end of the financial year, which had been reduced during the Conservative era from £7,294,151 to £4,707,258, of which £1,000,000 was an advance by the Bank of England, were increased to £11,992,705

at the end of the year 1872-3, and £7,442,854 at the end of the year 1873-4, notwithstanding the payment in that year of £3,196,875 for the Alabama claims. The National Debt has also been materially reduced, and the finances of the kingdom have been placed upon a sound and satisfactory footing. It will no doubt be said that these results have been mainly obtained by the vast expansion of our trade during the last five years, but it cannot be forgotten that this increase in our commerce has been rendered possible by the steady development and persevering application, since 1842, of sound principles of financial administration, every successive stage of which encountered the determined opposition of the Conservative party, under the leadership of Lord Derby and Mr. Disraeli. If their counsels had prevailed, none of the great measures of financial reform, which have rendered the last thirty years memorable in history, and have revived and expanded British Commerce, would have been adopted by the legislature; the larger portion of our recent trade would have had no existence; and the country would still have been contending with the law-created fiscal difficulties, which, for thirty years prior to the repeal of the Corn Laws, had produced chronic stagnation of trade, and its necessary attendant, want and distress among our industrial population, culminating in political discontent and widespread disorder. Although it was not Mr. Lowe's good fortune to be able to take part in the early struggles which established the principle of free trade as a cardinal feature of modern English finance, he rendered invaluable service in carrying forward the

work, which had been commenced by illustrious predecessors. To him the country is indebted for the remission of nearly £12,500,000 of taxation; for the completion of the task left unfinished by Sir Robert Peel and the Anti-Corn-Law League, by the admission of foreign corn duty free; for the entire repeal of the duty on that important article of food and commerce, sugar; for a most valuable reform in the assessment and collection of direct taxes; for the codification of the laws regulating the stamp duties; for a large reduction of the National Debt; and for the conversion of a stagnant, if not declining, revenue into one of great vitality and growth. These important measures of financial and administrative reform have conferred great and unquestionable advantages upon the community, and place Mr. Lowe in a position, as an able administrator of the National Finances second only to that occupied by Sir Robert Peel and Mr. Gladstone.

CHAPTER XIII.

MODERN FINANCE AND NATIONAL PROSPERITY.

The condition of Trade, Manufactures, and Agriculture, from the termination of the French War, in 1815, down to the repeal of the Corn Laws and the inauguration of Free Trade, in 1845, was one of chronic depression, relieved by occasional improvement, but only to a limited extent, and caused, in every instance, by relaxations of the oppressive tariff which impeded all the operations of commerce. The present generation has but little knowledge either of the laws which regulated trade during that period or of the lamentable condition to which such laws had reduced the commerce and industry of this country.* The remonstrances of a starving people were unheeded by their rulers; a peaceful assemblage at Manchester was ridden down by yeomanry; then followed bread riots, Chartist disturbances, and every species of wild

* Buckle says, in his "History of Civilization," (vol. 1, p. 213, ed. 1867): "In regard to the interference of the English Legislature, it is stated by McCulloch ('Political Economy,' p. 269) on the authority of a Committee of the House of Commons, that before the year 1820, 'no fewer than two thousand laws with respect to commerce had been passed at different periods.' It may be confidently asserted that every one of those laws was an unmitigated evil, since no trade, and indeed no interest of any kind, can be protected by government without inflicting immeasurably greater loss upon the unprotected interests and trades; while, if the protection is universal, the loss will be universal."

disorder. Unfed, uneducated, and starving men and women attacked machinery as their great foe, ignorant of the fact that it was unwise and cruel legislation which deprived them of the necessaries and decencies of existence.* It was of this period that one of the truest and most graphic of the poets of the people wrote the following lines : †—

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* See "Fiscal Legislation, 1842-65," p. 11, for a short summary of the condition of England in 1841. Also Miss Martineau's "History of the Thirty Years Peace," in the Pictorial History of England. See, also, the "Life of General Sir Charles Napier," who was in command of the northern district, in 1839-40 and, by his mingled firmness and compassion, averted bloodshed during his command. Here are some extracts from his diary: "Bradford, discontented, and everywhere agitation. Alas! with good cause. Want and misery, all that man can suffer they suffer." Again, speaking of Nottingham, he says, "the streets of this town are horrible. The poor starving people go about by twenties and forties begging, but without the least insolence, and yet some rich villains, and some foolish women, choose to say they try to extort charity. It is a lie, an infernal lie, neither more nor less. Nothing can exceed the good behaviour of these poor people except it be their cruel sufferings." Again, he says, in reference to the constant incentives for "vigorous action" that he received, "Good God, what work! to send grape shot from four guns into a helpless mass of fellow citizens, sweeping the streets with fire, and charging with cavalry, destroying poor people whose only crime is that they have been ill-governed and reduced to such straits that they seek redress by arms, ignorant that of all ways that is the most certain to increase the evils they complain of." Being thus strongly imbued with humane and sensible convictions, it is not to be wondered at that he endeavoured to convince the leaders of the movement of their folly. The Chartists had become possessed of four brass guns, on which they laid great stress, as they believed the long peace had put the artillery out of practice. To disabuse them of this idea, he secretly invited an influential leader to be present in the barrack when the Royal Artillery were at practice, who was soon convinced, by their mode of handling their guns, as if in action, of the hopeless character of any attempt to meet them. His report of the superior mode in which the royal guns would be worked in a fight had a powerful effect upon the Chartist leaders.

† Ebenezer Elliott's "Corn Law Rhymes." A work now unfortunately out of print, but containing more genuine poetry than is to be found in many modern productions of greater pretension.

"Bread tax'd weaver, all can see
What that tax hath done for thee,
And thy children, vilely led,
Singing hymns for shameful bread,
Till the stones of every street
Know their little naked feet."

And again,

"Up, widow, up, and swing the fly;
Or push the grating file!
Our bread is taxed, and rents are high,
That wolves may burst with bile.
Sire of the hopeless! can'st thou sleep?
Up, up, and toil for ghouls,
Who drink our tears, but never weep,
And, soulless, eat our souls!

Child, what hast thou with sleep to do?
Awake, and dry thine eyes!
Thy tiny hands must labour, too;
Our bread is tax'd—arise!
Arise, and toil long hours twice seven,
For pennies two or three;
Thy woes make angels weep in Heaven,
But England still is free.

Up, weary man, of eighty five,*
And toil in hopeless woe!
Our bread is taxed, our rivals thrive,
Our gods will have it so.
Yet God is undethron'd on high,
And undethroned will be:
Father of all! hear Thou our cry,
And England *shall* be free."

It was only as the result of long continued efforts, and even then not until Ireland had been desolated by

* Now, again, men of this age have been turned out of workhouses as field hands to take place of stalwart labourers "locked out."

famine, that the United Kingdom was made free from the Corn Law monopoly, which had for an entire generation been preying upon its vitals. With that monopoly fell colonial monopoly, shipping monopoly, manufacturing monopoly, and a host of oppressive and ruinous burdens.

It does not say much for the wisdom of the legislators of that period, hereditary and otherwise, that the remonstrances of traders and of workpeople were alike disregarded. In 1820 an admirable petition in favour of Free Trade, drawn up by Mr. Thomas Tooke, and signed by many of the merchants of London, was presented to Parliament;* the Manchester Chamber of Commerce repeatedly urged the same views upon the House of Commons;† similar bodies in other great centres of trade and industry adopted the same course; but all was in vain until the country was thoroughly roused by the Anti-Corn Law League; and, even then, not until the teaching of that body was enforced by the absolute necessity of obtaining Corn, upon any conditions, was there a relaxation of the pernicious system of protective duties. It is a noteworthy fact that philanthropic Members of Parliament, whose compassion was excited by the long hours of labour imposed upon women and children, through the necessity of earning dear bread, were oblivious of the real cause of the evil, and sought a remedy, not in cheapening food and increasing em-

* See Porter's "Progress of the Nation," chapter 9.

† See "Import Duties Report, 1841." p.p. 158-159.

ployment, but in diminishing the hours of labour, although they were already insufficient to provide the commonest necessaries of life. This was putting the cart before the horse, and, without Free Trade, was a simple aggravation of existing evils; since the people have had abundance of employment they have shown themselves quite capable of dealing with the hours of labour.

The evil effects of restrictive laws were not confined to manufacturing and trading industry, but were experienced with equal severity by the very class they were intended to benefit—the owners and occupiers of the soil. The Corn Laws were imposed for the purpose of ensuring prosperity to agriculture; their success in this endeavour may be estimated from the fact that, between the year 1820 and 1836, there were no fewer than eight parliamentary enquiries into the subject of agricultural distress. In 1822, 1823, 1830, 1834, 1835, and 1836, the depressed state of agriculture was so serious as to cause it to be mentioned in the Royal Speeches delivered on the opening of Parliament; and, from 1839 to 1843, it shared in the distress and despondency and general prostration of the energies of the country, which prevailed during those years.* It is quite certain that protective duties were of no advantage to the agricultural interest.

The nature of the Customs Tariff in force up to the year 1842 is shown very clearly in the following

* See Tooke's "History of Prices, 1839 to 1847." Longmans and Co.

summary of a return for the year 1838 laid before Mr. Hume's Committee on Import Duties.* Viewed in the light of recent experience it is not wonderful that such a fiscal system should have produced most disastrous results.

Classification of Articles Taxed.	No. of Separate Articles.	Produce of Duties.
		£
Articles imported in a raw state to be used in our manufactures ...	262	2,092,629
Articles partly manufactured ...	101	1,056,246
Manufactures	214	479,403
Food, Spices, Wine, Tobacco, Spirits, &c.	110	18,303,780
Prohibited	19	
Articles not properly belonging to any of the foregoing heads ...	156	190,037
Total	862	22,122,095

It will be seen that then, as now, the bulk of the Customs duties were levied upon articles of general consumption by the people. In the year 1839, according to another table laid before the same Committee,† £21,700,630 was collected upon seventeen articles alone, the balance of the duties, amounting to £1,341,980, being collected from 704 articles, while upon 147 an excess of drawback was allowed amounting to £5,398, by which sum the gross revenue was reduced.

The following table shows the proceeds of the Customs for these periods, and affords a striking

* Report of Select Committee on Import Duties 1840. Appendix No. 1.

† See "Fiscal Legislation, 1842-1865," p. 7.

corroboration of the fact that under a system of indirect taxation, whether the number of articles in the tariff be few or many, the bulk of the revenue is necessarily raised from a small number of generally used commodities. Since 1841 nearly the whole of the articles then included under section 8 of the table have been entirely liberated from duty, the duties levied under every other head except tobacco have been largely diminished,* and the tax on corn, meal, and flour has been repealed. The result is that the revenue shows a decrease of £3,018,488, or, omitting corn, of only £1,861,848.

CUSTOMS.—GROSS REVENUE.†

	For the three Years Terminating		
	5th. Jan. 1841.	31st Mar. 1865.	31st. Mar. 1874.
1. Sugar and Molasses ...	£4,650,017	5,252,268	1,842,178
2. Tea	3,472,864	4,469,209	3,248,446
3. Coffee	921,551	388,779	191,415
4. Corn, meal, and flour ...	1,156,640	562,654	
5. Spirits Foreign & Colonial.	2,440,943	3,302,695	5,329,630
6. Wine	1,791,646	1,317,726	1,789,855
7. Tobacco and Snuff ...	3,588,193	6,080,184	7,305,007
8. Other articles	5,257,073	973,081	574,166
9. Miscellaneous receipts ...	62,886	180,977	42,628
Total ...	£23,341,813	22,527,573	20,323,325

The returns of the Excise show a still more remarkable result. Since 1841 the duties on auctions,

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* For the various alterations in these duties and in the Excise up to the year 1870 see "The Queen's Taxes." Longmans and Co.

† The Statistics in this chapter, excepting in cases where other sources are specified, are taken from the reprint of the Statistical Abstract 1840 to 1854, and the Statistical Abstracts for 1855-1869 and 1859-73. The Sugar duty was reduced in 1871 and 1873, and was repealed in 1874.

bricks, glass, hops, paper, soap, and vinegar which then yielded about £3,000,000, have been repealed, The spirit duties, on the other hand, have been increased, the last change having been made in 1860, when they were raised to a uniform rate of 10s. per gallon. Prior to the year 1852 the duties were English 7s. 10d., Scotch 3s. 8d., and Irish 2s. 8d. per gallon; a gradual change tending towards equality was then introduced, which ended in the fixing of the present rate. Licenses show an increase in 1873-4 over 1864-5 of £1,768,006, of which above £1,250,000 is attributable to the conversion, in 1868 and 1869, of the Dog Tax and Assessed Taxes into Excise Licenses.

EXCISE.—GROSS REVENUE.

	For the three Years Terminating		
	5th. Jan. 1841.	31st. Mar. 1865.	31st. Mar. 1874.
Spirits ...	... £5,201,663	10,176,731	14,639,562
Malt ...	... 4,983,602	6,394,553	7,753,617
Licenses...	... 1,058,114	2,144,402	3,912,408
Other receipts	... 3,542,214	712,638	810,382
Total	...£14,785,593	19,428,324	27,115,969

It appears from the above figures that the amount paid in duties of Customs and Excise upon the five principal articles of consumption, now subject to taxation, viz. tea, wine, spirits, malt, and tobacco, has increased from £21,478,911, in 1840-41, to £40,066,117, in 1873-74, the excess of the latter year over the former being £18,587,206. During the same period the duties levied upon every article of luxury consumed mainly by the wealthy, except wine, have been repealed and the produce of all the Customs duties,

except those already named, has been reduced from £11,985,281 to £2,607,759 * a decrease of £9,377,522; and in the Excise the repeal of the duties on auctions, bricks, glass, hops, paper, soap and vinegar has reduced the receipts, other than from spirits, malt, and licenses, from £3,542,214, to £810,382, a decrease of £2,731,832. It is clearly shewn by these facts that, so far as the Customs and Excise are concerned, the pressure of taxation upon articles largely consumed by the recipients of weekly wages has been seriously augmented, while upon those which are consumed mainly by the middle and upper classes there have been extensive and important remissions. The luxuries of the rich are now almost exempt from any fiscal exaction. The wage-receiving classes have no doubt shared, to some extent, in the benefits of these relaxations of an oppressive tariff, but when their possible gain, under this head, is set off against the increased amount they pay upon other articles, it is clear that the chief benefit of recent free trade reforms has not accrued to them, but to the more wealthy portion of the community. It has never yet been found possible to devise a system of indirect taxation that shall not press unduly upon the poorer classes. Referring to families the heads of which

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* The following are the details of the Customs Duties, except tea, spirits wine and tobacco :—

	1840-41	1873-74
	£	£
Sugar and Molasses	4,650,017	1,842,178
Coffee	921,551	191,415
Corn, Meal, and Flour	1,156,640	repealed
Other articles	5,257,073	574,166
	£11,985,281	2,607,759

earned less than 30s. a week, Sir Robert Peel said, in 1846,† "it is inevitable with a system of indirect taxation that they must pay heavily;" subsequent experience amply corroborates his words. Sir Robert added, "but I know, if the burden presses unjustly upon them, it is from no want of sympathy on the part of the gentlemen of England; it is, however, inevitable; we must raise a great part of our taxation by indirect taxes, and the burden will be unequally distributed." The sympathy here referred to would, doubtless, be more appreciated if it took a practical form; as a mere sentiment, it is not of much value. The necessity of indirect taxation has, moreover, been assumed by its advocates, not demonstrated; of its prejudicial effect upon trade and industry, there can be no question. Owners of property would, therefore, act wisely in seriously considering whether it serves their own interest to maintain a fiscal system, which not only prevents the development of the national resources, but, in the opinion of many of the best authorities, is inevitably and essentially unjust.

The remaining taxation for the same three periods was as follows:—

	Gross Produce for the three Years Terminating		
	5th Jan. 1841.	31st Mar. 1865.	31st Mar. 1874.
Taxes ...	... £4,164,877	3,292,000	2,324.000‡
Stamps ...	... 7,287,821	9,542,645	10,497,567
Income Tax	...	7,958,000	5,691,000
Total	...£11,452,698	20,792,645	18,512,567

† Hansard, March 27, 1846. Third Series, Vol. 85.

‡ This decrease is mainly caused by the transfer of the Assessed Taxes to the Excise.

The increase from these sources, which include bill and receipt stamps, bank notes, probates, legacies and successions, deeds, and other instruments, is £7,059,869. From this amount allowance must be made for law fees now paid by stamps, which are a mere matter of account, and should appear in the former years if they are to be reckoned in the latter. A considerable portion of these taxes, moreover, form trade charges which are recovered from the general consumer. After making these allowances, and when it is considered that the exports of British Produce and manufactures have increased fourfold since 1840, that our home trade has had a corresponding development, and that property has been largely augmented in value, the increased revenue from stamps and taxes cannot be held to have mitigated, in any degree, the unjust incidence of taxation admitted by Sir Robert Peel in 1845. There is, moreover, another element in the question that cannot be overlooked. Rents are now much higher than they were in 1840; the town artizan finds himself driven into a narrower and narrower space, for which he has to pay a greatly enhanced rental. The incomes of landlords in great towns have been vastly augmented by this change while the taxation imposed upon them has, of late years, been greatly diminished. The heaviest part of the burden of our increased expenditure has been thrown upon the struggling tenants; owners of property have enjoyed a comparative immunity from the recent growth of taxation.

One of the most remarkable circumstances, connected with the financial changes of the last thirty

years, has been the recovery of the revenue from the large remissions of indirect taxation that have been effected. This fact alone speaks volumes as to the influence of modern fiscal legislation in improving the condition of the people. The following table gives a summary of the changes made since 1842 and their effect upon the revenue.

Years.	Net Remission of Customs and Excise.	Years Ending.	Gross Amonnt collected by Customs and Excise.	Recovery of Revenue.
	£		£	£
		5 Jan. 1842	38,118,221	
1842-1865*	19,241,462	31 Mar. 1866	41,120,402	22,243,643
1866-1868	451,462	1869	42,910,477	2,241,537
1869-1873	4,664,915†	1874	47,439,294	9,193,732
		5 Jan. 1842	38,118,221	
1842-1873	24,357,839	31 Mar. 1874	47,439,294	33,678,912

It is demonstrated by these figures that extensive pruning of the tariff has rendered the surviving sources of revenue far more productive. Dead wood has, so to speak, been cut away, decaying and unfruitful branches have been removed, the result has

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* The details of this period will be found in "Fiscal Legislation, 1842-1865," page 146. There is a slight discrepancy in the figures given there and here arising from the fact that these have been made up from a revised return. (Reprint of Statistical Abstract, 1840-1854) in which the gross amount of revenue for the early years is now given for the first time. The result is substantially the same. For details see Appendix.

† The total remission of Customs and Excise duties was £5,777,915, but the transfer of Establishment Licenses to the Excise, amounting to £1,113,000, makes the net remission £4,664,915.

been greatly increased vigour and vitality in the remaining portions of the fiscal tree, so that the growth of revenue has far exceeded remissions of taxation. It is evident that this process cannot be carried much further, and that the question which now requires solution is the policy of continuing this mode of taxation, or of substituting for it a more direct method, which shall confer much greater advantages upon the trade and industry of the country, and enable the necessary revenue to be raised with less pressure upon the population.

The true principles that should regulate taxation have never been laid down with greater force than by Dr. Channing, that great American divine, whose political sagacity rivalled his theological attainments, in the following words :—*

"We have no partiality to tariffs of any kind, not even to those which are laid on imports for the purpose of raising revenue. We suppose that they are necessary at present, especially where they have become the habit of the people, and we are not insensible to the facility they afford for collecting the revenue. But we should rejoice, if by some great improvement in finance, every Custom House could be shut from Maine to Louisiana. The interests of human nature require that every fetter should be broken from the intercourse of nations, that the most distant countries should exchange all their products, whether of manual or intellectual labour, as freely as the members of the same community. An unrestricted commerce we regard as the most important means of diffusing through the world, knowledge, arts, comforts, civilization, religion, and liberty; and to this great cause we would have our country devoted. We will add, that we attach no importance to what is

* From an article in "The Union," first published in the "Christian Examiner" for May, 1829, and reprinted in his collected works.

deemed the chief benefit of tariffs, that they save the necessity of direct taxation, and draw from a people a large revenue without their knowledge. In the first place, we say, that a free people ought to know what they pay for freedom, and to pay it joyfully, and that they should as truly scorn to be cheated into the support of their Government, as into the support of their children. In the next place, a large revenue is no blessing. An overflowing treasury will always be corrupting to the governors and the governed. A revenue rigorously proportioned to the wants of a people, is as much as can be trusted safely to men in power. The only valid argument against substituting direct for indirect taxation, is the difficulty of ascertaining with precision the property of the citizen. Happy would it be for us, could tariffs be done away, for with them would be abolished fruitful causes of national jealousies, of war, of perjury, of smuggling, of innumerable frauds and crimes, and of harrassing restraint on that commerce which should be as free as the winds."

It would have been well for the United States if this sage counsel from one of her greatest citizens had been followed during the late Civil War. Like ourselves, the inhabitants of that country will no doubt learn, sooner or later, through painful experience the evils of protective duties and high tariffs, and will ultimately retrace their steps. That which Dr. Channing desired for the United States every patriotic Englishman should endeavour to attain here. The accurate assessment of the property of each taxpayer is not an insuperable difficulty; once let the change be resolved upon, it cannot be doubted that a method of assessment will be devised, far more equitable than that of indirect taxation, which makes no pretension whatever to assess every one according to his means, but levies the revenue haphazard, and throws the largest burden upon the weakest shoulders. The great difficulty usually assumed by opponents of

direct taxation is the alleged impossibility of reaching working men. This, however, might be done by means of a wage-tax collected by stamps, as suggested by the late Richard Cobden. He made enquiries of many working men upon the question, and found that such a tax was universally received with favour, as it well might be, when the result would be a saving of at least one half the amount which they are unjustly made to contribute under the present unfair and onerous method of raising the national revenue.

The benefits of free trade are now so apparent and unquestionable to Englishmen, of every phase of political opinion, that they are universally admitted. It was not so, however, in the early stages of the progress of that great principle. Most direful prognostications were uttered by the advocates of protection; more mischiefs than came out of Pandora's box were being let loose upon this devoted country, and worst of all there was not one ray of hope to illumine the dense gloom which the imaginations of these prophets of evil had created. The following extract from a speech made by Mr. Disraeli in 1849* gives a short and concise summary of the evils which were anticipated from the adoption of a policy of free trade:—

"I still believe that our new commercial system is founded on erroneous principles. I still believe that in constructing this new system you have mistaken the rules which regulate an advantageous interchange of commodities between nations; that in attempting to obviate the injury and inconvenience of hostile tariffs by opening ports, we have adopted a course which tends to the depression of

* Debate on Local Taxation, Feb. 14, 1849. Hansard's Parliamentary Debates.

British Industry; that under your new system the native labourer must give more of his productions for foreign productions than he heretofore gave; that inasmuch as the precious metals are foreign productions he must consequently receive less of the precious metals for his labour, and have less command over them than he did before; that his labour is tributary to foreign countries in the precise proportion in which it has become less efficient in its command over foreign productions; and that you have thus embarked in a course which tends to the degradation of native industry, and which may end in financial convulsion."

The first count in Mr. Disraeli's indictment against the new commercial system was that it would tend to the depression of British industry, a prediction that has been most remarkably falsified by the result. The exports of British produce and manufactures which had for many years prior to 1842 shown only slight signs of expansiveness,* have since that time marvellously increased. The following table gives a concise summary of the results as affecting our imports and exports since the work of tariff reform was commenced by Sir Robert Peel in 1842. The real value of Exports of Foreign and Colonial produce were not ascertained until the year 1854.

Years.	Customs and Excise remitted.	Years.	Exports of British Produce and Manufactures.	Exports of Foreign and Colonial Produce.	Imports.	Total of Imports and Exports.
	£		£	£	£	£
1842 to 1865*	19,241,462	1841	51,545,116			
		1855	95,688,085	21,003,215	143,542,850	260,234,150
		1865	165,835,725	52,995,851	271,072,285	489,903,861
1866 and 1867	451,462	1868	179,677,812	48,100,642	294,693,608	522,472,062
1869 — 1873	4,664,915	1873	255,164,603	55,830,162	371,287,372	682,282,137

* See "Fiscal Legislation 1842-1865," p.p. 10,149. Also "Porter's Progress of the Nation." Sec. iii. c. ix.

It will be seen from these returns that the value of the Exports of British Produce and Manufactures has increased nearly five-fold since 1841. There is no evidence in this fact that free trade has produced "depression of British Industry." The advantages conferred upon our industrial population by this vast expansion of trade are even more apparent if the amount per head of the population is taken as the basis of comparison.

IMPORTS AND EXPORTS PER HEAD OF THE POPULATION.

Years.	Exports of British Produce and Manufactures. £ s. d.	Exports of Foreign and Colonial Produce. £ s. d.	Imports. £ s. d.	Total Imports and Exports. £ s. d.
1841	1 18 6			
1855	3 8 10	0 15 0	5 3 2	9 7 0
1865	5 11 5	1 15 7	9 2 2	16 9 2
1868	5 17 4	1 11 1	9 12 10	17 1 3
1873	7 18 10	1 14 9	11 11 2	21 4 9

These figures effectually disprove the statement, sometimes made by opponents of the policy of free trade, that our increased trade is owing to the increase of our population, as the growth of our exports per head is more than four-fold. If mere increase of population develops trade, how is the stagnation to be accounted for which prevailed for so long a period prior to the inauguration of our free trade policy, notwithstanding the great growth of the population which took place during that period?

The remaining portion of Mr. Disraeli's prophecy has proved to be equally baseless. It is no doubt true that we have, in one sense, given more of our productions for foreign productions than formerly, but this interchange of benefits has been the source of our prosperity. If it was intended by this statement to

convey the idea that the English workman would have to give an increased quantity of his productions for the same quantity of foreign productions, the prophecy was singularly inaccurate. The growth of imports and the growth of exports have gone on simultaneously. Mr. Disraeli appears, at that time, to have been lost in the delusion of the mercantile theory, and to have entertained the notion that it was the duty of the Government to try and encourage exportation and discourage importation, instead of leaving matters to take their natural course. The adoption of the policy, which upon every possible occasion he warmly denounced, has not, as he predicted, given us less command over the precious metals, or made our labour less efficient in its command over foreign productions. We have not become tributary to foreign countries, but have rather made them tributary to us, in providing raw material for our industry, food for our consumption, and comforts of various kinds for the use of the population. In return we have sent them an increased quantity of our manufactures, and by the policy of free importation have secured for our productions an ever-extending market in every quarter of the globe. This policy has not tended to the "degradation," but to the elevation of native industry, and, in place of Mr. Disraeli's prognosticated financial convulsion, we have had an overflowing Exchequer. The more completely his prediction is examined the more thoroughly will it be found to be nothing but an ingenious cobweb spun by a highly imaginative intellect; it is, in fact, an admirable illustration of that "heedless rhetoric,"

which, under circumstances of greater responsibility, has since incurred his censure.

The vast increase in our imports of food is one feature of our modern commerce which speaks volumes for the benefits that have been conferred upon the working classes. In 1840 when live animals, fresh meat, and fish of foreign taking were prohibited, when corn was only admitted at famine prices, and protective duties were levied in favour of every article produced by British farmers, our imports of food were £27,911,442; in 1865 they reached a total of £71,883,930.* In the year 1872 they were as follows:

	£
Living Animals used as Food	4,394,850
Dead Meat...	6,140,707
Butter, Cheese, Eggs, and Fish	11,682,093
Corn, Grain, and Meal	51,228,816
Fruit	5,992,772
Rice, Sago, and Potatoes	5,453,252
Sugar	21,574,679
Tea, Coffee, Cocoa, &c.	18,747,281
Total ...	£125,214,450†

Notwithstanding such vast importations from abroad, the British Farmer, formerly the object of so much solicitude on the part of the legislature, has not suffered; prices of home produce have not only been maintained but have largely increased, the demand for first-class articles of food, created and developed by our vast accession of prosperity being

* For details see "Fiscal Legislation, 1842—1865," p. 151.

† For full details see Appendix.

so great as to be capable of absorbing far more than can be produced under existing methods of cultivation.

The following table, showing the increased consumption per head of imported food, affords even more conclusive evidence of the advantages that have resulted to the working classes from the policy of Free Trade.

CONSUMPTION PER HEAD OF DIFFERENT ARTICLES OF FOOD.

		1840.	1865.	1873.
Wheat & Wheat Flour ...	„	42·47	... 93·08	...170·79
Bacon and Hams ...	lbs.	0·01	... 2·67	... 9·07
Butter	„	1·05	... 4·02	... 4·39
Cheese	„	0·92	... 3·17	... 4·69
Cocoa	„	0·08	... 0·13	... 0·26
Coffee	„	1·08	... 1·02	... 0·99
Currants and Raisins ...	„	1·45	... 4·12	... 4·29
Eggs	no.	3·63	... 12·23	... 20·56
Potatoes	lbs.	0·01	... 3·04	... 26·17
Rice	„	0·90	... 2·05	... 11·37
Sugar, Raw	„	15·20	... 37·05	... 43·96
„ Refined	„	...	... 2·73	... 7·63
Tea	„	1·22	... 3·29	... 4·11

These figures testify most completely to the great accession of comfort that has accrued to the whole population through the free importation of articles of food.

There can be no better evidence of the general growth of national prosperity than the great increase that has taken place, during the last twenty years, in the amount of property and profits assessed to the Income Tax. For the first ten years of its renewed existence the assessment was almost stationary. Trade and industry were then but slowly recovering from

the severe and chronic depression which had been caused by a long course of pernicious fiscal legislation, and agriculture was struggling, under changed conditions, towards better days. It was moreover a period of several successive bad harvests, the potatoe disease, the Irish Famine, and the panic of 1847. It cannot, therefore, cause surprise that recovery was but slow, and that the Income Tax Assessment of 1852-3 was but little in advance of that for 1842-3. The following are the figures for this period, the tax being then assessed on incomes of £150 and upwards, and in Great Britain only :—

TOTAL ANNUAL VALUE OF PROPERTY AND PROFITS ASSESSED TO INCOME TAX.

Year ending 5th April.	£
1843	... 251,013,003
1853	... 262,375,131
Increase	... £11,362,128
Average yearly increase ...	... £1,136,212

In 1853 the tax was extended to Ireland, and levied upon incomes of £100 and upwards. The ten years, then commenced, were signalized by Mr. Gladstone's great budgets of 1853 and 1860, and by a series of remissions of taxation which completely liberated the larger portion of our commerce from the restrictions which are the invariable attendants of Customs and Excise. The gross assessment for the United Kingdom, at the beginning and end of the decennial period commencing with the year 1854-55, was as follows :—

Year ending 5th April.	£
1855	308,139,143
1865	395,828,680
Increase	87,689,537
Average Yearly Increase	£8,768,953

During the seven years ending 1871-72, the latest for which the gross returns are as yet published, the progress of trade was checked by the panic of 1866, but it was again revived by the remissions of taxation, effected by Mr. Lowe in 1869 and 1870. The following are the results for this period :—

Year ending 5th April.	£
1865	395,828,680
1872	482,338,317
Increase	86,509,637
Average Yearly Increase	£12,358,519

It will be seen from a comparison of these three periods that the growth of the National Income has been in proportion to the progress made towards perfect freedom of exchange between the United Kingdom and other countries. The measures carried between 1842 and 1852, produced a yearly average growth of £1,100,000. The bolder measures of the following ten years increased that growth to one of £8,760,000; while in the seven years, ending 5th April, 1872, it was £12,350,000. Each successive remission of Customs duties has opened fresh markets for our commerce, provided additional employment for our people, and augmented the national wealth.

The imperfect nature of the early Income Tax returns, and the change that was made in 1866, when a considerable portion of the profits previously assessed under Schedule A were transferred to Schedule D, make it very difficult to arrive at an accurate comparison of the growth of the different sources of income since 1842. This difficulty has been to a considerable extent removed, as respects the period commencing in 1854, by the publication in detail of the returns of the gross amount of the annual profits assessed respectively upon Land, Houses, Mines, Iron-works, Railways, Canals, Gasworks, Quarries and other undertakings of a similar character. The following examination of these returns shows that, since the year 1854, there has been a satisfactory increase under every head. It may be safely asserted that there has never been, at any period of English history, so remarkable a development of national prosperity.

First in the list come the owners and occupiers of land, whose complete and irreparable ruin was confidently predicted as the inevitable consequence of repealing taxes upon foreign articles of food. If protection were not continued, land was to go out of cultivation, and, as a necessary result, rent would cease to exist. In the whole history of unfulfilled prophecy there never was an instance in which the most confident predictions were more completely falsified by the result. Of this fact the following table affords complete and satisfactory evidence, and demonstrates the unfounded nature of the direful prognostications with which the advent of free trade was greeted by the despairing Protectionists.

GROSS AMOUNT ASSESSED UNDER SCHEDULE A FOR LAND.

Year ending 5th April	England. £	Scotland. £	Ireland. £
1855 ...	41,236,589 ...	5,725,045 ...	*
1862 ...	... ...	... ...	8,990,830
1872 ...	48,964,149 ...	7,325,591 ...	9,140,356
Increase ...	£7,727,560	1,600,546	149,526

It appears from these returns that during the seventeen years, ending 5th April, 1872, the increased rent of land, for agricultural purposes, in Great Britain, was £9,328,106, which at thirty years' purchase, a moderate value for freehold land, represents an addition to the agricultural property of the landowners of £279,843,180. The returns, under Schedule B, in respect of the occupation of land, tenements, and hereditaments, fully corroborate those of Schedule A.

GROSS AMOUNT ASSESSED UNDER SCHEDULE B.

Year ending 5th April	England. £	Scotland. £	Ireland. £
1855 ...	41,067,948 ...	5,725,045 ...	2,603,424
1872 ...	48,914,230 ...	7,325,591 ..	2,956,355
Increase ...	£7,846,282	1,600,546	352,931

In England and Wales farmers' profits are assessed at half the rent, in Scotland at one third. Upon this assumption the profits of farmers have increased during this period: in England, £3,923,141, and in Scotland, £533,515. In Ireland it appears that only about one-third of the land thus occupied is liable to assessment under schedule B, the bulk of the holdings in that

* The returns for Ireland cannot be had separately before the year 1862.

portion of the United Kingdom being below the limits of the tax. The increased profits in Ireland under this schedule, at one third the rent, are £117,643. It is evident, from these returns, that the landed proprietors have reaped the chief advantage, so far as agriculture is concerned, of our recent prosperity. There is no doubt that farming has been more profitable than under protection; of this there is every evidence in the improved style of living now prevalent among tenant farmers, but in the case of the landowners there has been, in addition to an augmented rental, a vast permanent increase in the capital value of their property. This increase has, moreover, been created to a large extent by the employment of capital and skill in the cultivation of the soil, for which, in the existing state of English law, there has been no adequate remuneration for those, by whom this addition to the property of the landowners has been called into existence.

When the case of landowners, who have large property in the neighbourhood of the great centres of trade and manufacturing industry, is taken into consideration, it will be seen that the increased riches which have accrued to them from modern developments of industry and enterprise is still more remarkable. The following abstract of the returns relating to houses places this fact in a very striking light :—

GROSS AMOUNT ASSESSED FOR HOUSES UNDER SCHEDULE A.

Years ending 5th April	England. £	Scotland. £	Ireland. £
1855 ...	43,425,146 ...	4,209,060 ...	...
1862 ...	... ...	... ...	3,333,783
1872 ...	76,475,194 ...	7,530,225 ...	3,715,691
Increase ...	33,050,048	3,321,165	381,908

The increase for Great Britain during this period is £36,371,213, which represents, at fifteen years' purchase, the fair valuation for such property, a total addition of £545,568,195. It is impossible to ascertain how much of the assessment of house property ought to be placed under the head of ground rent, and how much under the head of building rent, but there can be no question that many princely incomes have been created for owners of the soil by the extension of large towns. This is one of the most striking forms of that spontaneous growth of wealth, so far as landowners are concerned, which renders this form of property a fit subject for special taxation.* Here is a permanent addition to the wealth of the proprietors of the soil, towards the growth of which they have not, in the majority of instances, contributed one penny of capital; it has been created for them by the industry and enterprise of others. The landowner has done nothing, he has merely been the recipient of a rent far in excess of the previous value of his land, and it has only been upon such conditions that the soil of the country has become available for the necessities of a growing population. By granting leases, moreover, the property again falls into his hands, at the expiration of the term for which it is let, at a further augmentation of rental. Upon what principle can he claim the whole of this income other than

> "The good old fashioned plan,
> That they should take who have the power,
> And they should keep who can"?

* See Principles of Political Economy, by J. S. Mill. Book 5, chapter ii., s. 5. Longmans and Co.

Mr. Mill's demand to secure to the State a portion of the unearned increment of the rent of land will, in all probability, be heard of, in future years, as School Board training comes to the front at the polling booth.

The total increase in the value of real property in Great Britain, under these two heads, between 1855 and 1872 is above £825,000,000, but this amount, vast as it is, by no means represents the total gain of the landowners during this period. Immense sums of money have been received as compensation for compulsory sales of land, for railways, docks, harbours, and other public works, and, with the money so received, considerable investments have been made in other undertakings and securities. There can be no doubt that in every instance the price claimed and paid, either by agreement or under award, has been largely in excess of the actual value of the property sold, notably so in the case of railways;* although it is impossible for a railway to be constructed through an estate without largely increasing its value, enormous claims have been made, and allowed, as compensation for imaginary injuries. A high authority upon such matters has stated the case with great force and remarkable accuracy in the following words † :—

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* It is said that the Duke of Bedford returned, after the lapse of many years, £150,000 paid for land taken by a railway, on the ground that his estate had been benefited and that no compensation was due. The system of compensation has been made a means of vast extortion, but the instances are very few in which any restitution has been made.

† "Railway Extension and its Results." By R. Dudley Baxter, M.A. Journal of the Statistical Society, Vol. xxix. p. 560.

"English landowners, in the first vehement opposition to railways, acquired the habit of being bought off at high prices, and of exacting immense sums for imaginary damages. The first Eastern Counties line was said to have paid £12,000 per mile for land through an agricultural country, being about ten times its real value. This habit of exaction has been perpetuated to our own day. As an every-day instance, I may mention that, only a few months ago, a gentleman of great wealth was selling to a railway company which he had supported in Parliament, thirty acres of grass land, of which the admitted agricnltural value was £100 an acre, and three acres of limestone, of which the proved value to a quarryman was £300 an acre. There was no residential damage, and the railway skirted the outside of the estate. The price of the whole in an auction room would have been about £4,000. The proprietors' agents, supported by a troop of eminent valuers, demanded £25,000!

Such, to use a mild term, have been the exactions of landowners upon railway companies. What, on the other hand, have been the effects of railways upon the interests of landowners? The same authority, in the same paper, gives the following answer to this question:—"It is almost impossible to construct a railway through a new district of fair agricultural capabilities without saving to the landowner and farmer alone the whole cost of the line." When the English travelling public complain that railway fares are higher here than in other countries, it should not be forgotten that a large portion of the excess is due to the extortionate demands upon railways made by the landed interest. The same facts apply to docks, harbours, and every other description of improvement; in every case landowners, whose property has been required, have received like excessive compensation. From these sources a profit has accrued to the

owners of the soil far more real, tangible, and substantial than they ever received from protective duties upon the food of the people, which not only failed completely in their avowed object of keeping up prices, and securing a continuance of the high rents which were created by the war, but, by limiting the growth of trade and hindering the progress of the nation, inflicted serious injury upon the landed interest.

The profits of mines show a remarkable increase during the period under review; this gain has been shared by the capitalists who work the mines, and the landowners, to whom royalties are paid for that privilege. The following are the returns under this head:—

GROSS ASSESSMENT OF MINES.

Year ending 5th April	Schedule	England. £	Scotland. £	Ireland. £
1855	A	2,588,198	302,584	...
1862	A	...	...	79,412
1872	D	5,705,337	597,370	32,364
Increase	...	3,117,139	294,786	...
Decrease	...	...	...	47,048

It will be observed that in Ireland the returns show a considerable decrease, which appears to have been continuous since the year ending 5th April, 1869.

There are not any means of ascertaining the proportion of the profits assessed under this head that is paid to the landowners in the shape of royalties, but it is no doubt very considerable, and forms a very important portion of the revenue of such landlords as have minerals on their estates. It is well known that mining is a very speculative enterprise, in which

fortunes have been lost, as well as made. It is, however, mainly in the case of the lessees that there is any speculation; so far as the owners of the soil are concerned no risk is incurred, as they always take care to have a sufficient dead-rent to protect them from any loss, and should minerals be discovered, they secure a valuable royalty. The lottery is one in which they lose nothing, whatever may be the fate of the parties who undertake the development of their property. It is, moreover, frequently the case, especially with large proprietors, that very onerous conditions are imposed in mining leases, and that hindrances are thus thrown in the way of developing trade and industry. Such restrictions are opposed to public policy and ought not to be tolerated; if the landowners are to continue to enjoy a monopoly of the soil, they should be compelled by law to grant reasonable leases. Freedom of contract is a very sound principle, but there can be no such freedom where one party to the bargain is in possession of a monopoly. The doctrine laid down by Mr. J. S. Mill, already referred to, that spontaneous profits are fit subjects for special taxation, is peculiarly appliable to mining royalties, and especially so, if the proceeds received by the State were applied to the reduction of the National Debt, a burden imposed upon the people by a land-owning Parliament. The quantity of coal raised in 1855 was 61,453,079 tons, and its value at the place of production £16,113,267; in 1872 the quantity was 123,497,316 tons, and the value £46,311,143. The owners of the soil have done nothing to produce this coal, and, except in some few instances, nothing to make it available for man.

Notwithstanding these facts, they appear to act upon the plan of taking all they can get, and seem not in disposed to hand down to their successors impoverished estates, burdened with the heavy and onerous obligation of the National Debt.

The vast increase that has taken place in, recent years, in the English and Scotch Iron Trade, is well known to all who have paid any attention to the recent growth of trade. In the year 1855 our exports of Iron and Steel were 1,092,735 tons, and for the year 1873 they were 2,957,813 tons, or nearly threefold the quantity of the former year. The following table shows the increase in the gross profits of Ironworks.

GROSS AMOUNT ASSESSED FOR IRONWORKS.*

Year ending 5th April		Schedule		England. £		Scotland. £
1855	...	A	...	890,539	...	487,509
1872	...	D	...	2,646,071	...	494,924
Increase	...	...	...	1,755,532		7,415

The increase in England is 197 per cent., while in Scotland it is only 1·52 per cent. The remarkable results attained in England are owing to the discovery of minerals in new districts, notably in Cleveland, Furness, and South Wales, where there have been great developments of this branch of industry. In 1855 the quantity of pig iron produced in the United Kingdom

* The profits of Ironworks in Ireland cannot be distinguished prior to the year 1862, when they were £303; in 1863, they were also £303; in 1864, £404; *nil* in 1865 and 1866; £161 in 1867, when they appeared to come to an end, nothing being returned for subsequent years.

was 3,218,154 tons, value £8,045,385; in 1872 it was 6,741,929 tons, value £18,540,304. It appears therefore that the production has more than doubled in seventeen years. The trade, moreover, appears to have outgrown the mineral resources of the United Kingdom, and it has been necessary to import ores from abroad in order to meet the requirements of our manufacture.

The next interest which comes under review is one of the greatest importance, as affecting the growth of trade and commerce. If we had to depend upon former methods of locomotion, the conveyance of the vast quantities of manufactured goods now exported, and the distribution of the supplies of raw material and food, imported from abroad, would be an impossibility. It is the growth of our railway system that has enabled us to reap the full fruits of modern commercial legislation. The increase in the profits of the Railway Companies has been as follows:—

GROSS ASSESSMENT OF RAILWAYS.

Years ending 5th April		England. Schedule	£		Scotland. £		Ireland. £
1855		A	8,291,162	...	839,640	...	...
1862		A	...	...	...	...	797,689
1872		D	19,791,095	...	2,373,521	...	964,486
Increase -			11,499,933	...	1,533,881	...	166,797

The rate of increase of 1872 over 1855 is, in England, 138 per cent.; in Scotland, 182 per cent.; and in Ireland, over the year 1861-2, it is 20 per cent. It has sometimes been argued that the influence of railways has been more powerful than that of free trade in promoting the extension of commerce, but it may be urged, with equal force, that free trade has

given the impetus to the construction of railways. It is unquestionably true that difficulty of transit is a great hindrance to trade, but it is equally the fact that heavy duties, by preventing that freedom of exchange which it is the object of railways to promote, prevent the expansion of commercial intercourse between nations.* The recent growth of British commerce may be traced, step by step, and the result of such an examination conclusively demonstrates that we have never revised our tariff without, at once, experiencing a large increase in our foreign commerce.† The growth of our railway system resembles that of our shipping; and both have been largely necessitated by expanding commerce. The Stockton and Darlington Railway was opened in 1825, and the line between Liverpool and Manchester in 1830. During the eighteen years that followed the opening of the first railway the number of miles constructed was very small, compared with the subsequent development of this system of locomotion.‡ On the 31st December 1843, the length open for traffic in the United

* Customs duties are more serious impediments to foreign trade than turnpike tolls are to internal communication; those, therefore, who oppose the continuance of the latter ought to be among the most determined enemies of the former of these imports.

† See "Fiscal Legislation, 1842—1865." pp. 88, 95, 96, 148—150

‡ The "Stockton and Darlington" was the first railway upon which locomotives were employed, and is therefore entitled to the designation of the first railway, in the modern sense of the word. The first act for a railway worked by horses was obtained in 1801, for the Surrey Iron Railway, from Wandsworth to Croydon. Up to the year 1825, Acts were passed for the construction of 24 lines of railroad, having a total length of 250 miles, but they were all of merely local importance, principally in connection with mines and collieries, and were, in fact, tramways worked by horses. For the development of the modern railway system the locomotive was indispensable. Its originator, George Stephenson, described the rail and the locomotive as man and wife.

Kingdom was 1,952 miles, the total capital paid up, including shares and loans, was £65,530,792, the number of passengers conveyed during the year 23,466,896, and the total traffic receipts, £4,535,189. This was the gross result that appears to have been possible during the era of restrictive tariffs and depressed trade. With the removal of fiscal hindrances to exchange came a revival of commerce, slow indeed at first but sure, and with this revival came the demand for increased railway accommodation. At the expiration of the next eighteen years, which were signalized by a series of striking reforms in our fiscal system, the number of miles opened was 10,869, the total capital £362,327,338, the number of passengers conveyed during the year 173,773,218, and the total traffic receipts £28,565,355. The next twelve years showed a further development of no ordinary character; at the end of 1873 the number of miles opened was 16,082, the total capital paid up £588,320,308, the number of passengers conveyed during the year 455,634,767, and the total traffic receipts £55,675,421. These facts speak for themselves, and evidence such a growth of prosperity during the thirty years ending 1873 as forms a marked contrast with the previous period. The whole of the capital has moreover been raised without any guarantee or other aid from Government, in which respect our railway system presents a marked contrast to those of many other countries.

The remaining sources of profit originally assessed to schedule A, but transferred in 1867 to schedule D, are the following :—

GROSS ANNUAL PROFITS IN THE UNITED KINGDOM.*

Year ending 5th April.	Canals. £	Gas Works. £	Quarries. £	Other Profits. £
1862	961,165	1,317,633	440,018	2,422,647
1872	753,321	2,667,498	755,765	2,720,983
Increase		1,349,865	315,747	298,336
Decrease	207,844	...	...	...

It will be seen that there is an increase under all these heads, except Canals, which, in obedience to the inevitable law of progress, have been largely superseded by railways. The separate profits of canals, gas-works, and quarries cannot be distinguished prior to the year 1862, so that their growth between that year and the year 1872 is all that can be shewn. Under the description of "other profits" are included fisheries, salt and alum works, docks, drains and levels, and tolls of various kinds. Excluding canals, the decrease on which is not surprising, the gain under these heads, since 1862, is £1,963,948, or nearly 47 per cent.

The increase of the assessment under Schedule C, which includes dividends from British, Colonial, and Foreign public revenues, is also a proof of the increased wealth of this country. In the year ending 5th April, 1855, it was £27,326,097, in the year ending 5th April, 1872, it reached £38,646,360, an increase of £11,320,263, which, capitalized at twenty-five years' purchase, the term adopted by Mr. Dudley Baxter in his work on Taxation, represents a capital of £283,006,575 the whole of which has been created

* The accounts for England, Scotland and Ireland, are not stated separately.

since the year 1854. The capitalized value of public funds has sometimes been estimated at the same rate as landed property, but, inasmuch as the element of spontaneous growth is absent in the case of the public revenues, twenty-five years is a fairer calculation of their value. It is a melancholy reflection that so large a proportion of the capital thus subscribed has been expended upon warlike purposes utterly opposed to the progress of civilization and human freedom.

For the purpose of comparing the assessments under Schedule D for profits of trades and professions it is necessary to eliminate from the year ending 5th April, 1872, the profits of mines, ironworks, railways, canals, and other undertakings which were formerly assessed under Schedule A. The increase in the amount of profits, that have been invariably assessed under Schedule D, is as follows :—

SCHEDULE D.—FOR ALL GAINS ARISING FROM ANY PROFESSION OR TRADE IN THE UNITED KINGDOM.

Year ending 5th April	£
1855	91,280,131
1872	163,402,632*
Increase	£72,122,501

The rate of increase in this portion of Schedule D, which includes the professions, bankers, merchants, manufacturers, shipowners, and traders generally, whether as individuals, private firms, or public com-

* Exclusive of Railways, Mines, Ironworks, &c., formerly assessed under Schedule A. Complete details of these are not published for England, Scotland, and Ireland, so that the growth of profits cannot be separately shown.

panies, excepting profits transferred from schedule A, which have already been accounted for, was 79 per cent. during the seventeen years ending 5th April, 1872. In comparing the returns under this schedule with those of schedules A and C, it must be remembered that, under the general term "profits," interest upon capital, whether belonging to the traders themselves, or borrowed from others, is included, as well as the remuneration which the trader receives for his time, and the exercise of his skill and judgment in the conduct of his business. This is also the case with mines, ironworks, and some other undertakings which have been dealt with separately. This schedule does not, moreover, represent so important an addition to the capital value of property as in the case of lands and houses. To a large extent the permanence of the incomes, assessed under Schedule D, depends upon the continuance of health and strength; if these indispensable requisites for the conduct of business are lost, the income becomes very much diminished, and, in many cases, disappears. If such income is taken at its extreme value it is not worth more than three years' purchase, so that the increase of £72,122,501 represents, in round numbers, a capital value of £216,367,503, while the increased value of land and houses in Great Britain alone, during the same period, to say nothing of Ireland, for which portion of the kingdom the earlier returns cannot be supplied, was above £825,000,000, a very large proportion of which has been, so far as its owners are concerned, a spontaneous creation of liberated trade and industry.

The remaining Schedule (E) has risen during the

similar statistics, as special commissioner to enquire into the condition of agriculture for the *Times* Newspaper.* In the vast majority of cases there was a remarkable advance; and since that time the gross amount assessed under Schedule B has increased in England and Wales by the sum of £2,413,350; and in Scotland by the sum of £360,887. Since the repeal of the Corn Laws in 1846 the rent of land has increased in England and Wales by no less a sum than £7,843,905, and in Scotland by £1,746,714, notwithstanding the many clearances that have been made for the extension of deer forests and the preservation of game. Nurseries and market gardens, moreover, are assessed under Schedule D, so that the increased rental from this source does not appear in Schedule B. The rise of prices that has taken place in every article of agricultural produce, except corn, is a well-known fact, which will be dealt with in a subsequent chapter.

Agriculture was not, however, the only interest that, in former times, received special protection and encouragement from the Government. "Ships, Colonies, and Commerce" was a standing toast at political dinners, and restrictive laws were passed in order to promote the prosperity of these three interests. Such laws, like the swaddling clothes with which infants were formerly bound, restricted growth and caused many serious evils. In order to promote the well-being of British shipowners and sailors, the navigation laws, which were long believed to be the

* Fiscal Legislation, 1842-1865. pp. 135-157.

mainstay of our maritime power, were rigidly maintained. The nature of these laws, their effect upon the industry they were specially designed to protect, and the progress of British shipping from the year 1816 to the year 1849, when they were repealed, and from that year to 1864 have been detailed in a previous work,* to which the reader is referred for further information on this subject. The real state of the case may be briefly summed up as follows. From 1816 to 1840 British shipping was stagnant, the tonnage having only increased during that period 80,118 tons. During the following nine years, which were signalized by the tariff reforms of Sir Robert Peel and the adoption of free trade in corn, the increase was 901,550 tons. Then came the repeal of the navigation laws, since which period the shipping of the United Kingdom has received a marked and truly wonderful development.

The following table shows the tonnage of the United Kingdom in 1849, the year of the repeal of these laws; in 1865, when the country had reaped the fruits of Mr. Gladstone's financial policy of 1853 and 1860; and in 1873.

Year.	Sailing Vessels.		Steam Vessels.		Total.	
	No.	Tons.	No.	Tons.	No.	Tons.
1849	24,753	3,326,274	1,149	159,684	25,902	3,485,958
1865	26,069	4,936,776	2,718	823,533	28,787	5,760,309
1873	21,698	4,091,379	3,863	1,713,783	25,561	5,805,162

These figures illustrate the marked change that has taken place in the mode in which navigation is now conducted: wind has to a large extent been superseded by steam. Between 1849 and 1865 sailing

* Fiscal Legislation, 1842-1865. pp. 42-45, 173-175.

STEAM VESSELS ONLY WITH CARGOES AND IN BALLAST.

Year.	British. Tons.	Foreign. Tons.	Total. Tons.
1849	1,428,807	308,185	1,736,992
1873	18,943,653	3,818,637	22,762,290
Increase	17,514,846	3,510,452	21,025,298

It appears, therefore, that the respective increase in the tonnage of sailing and steam vessels during the last twenty-four years has been as follows:—

	British. Tons.	Foreign. Tons.	Total. Tons.
Increase in Sailing Vessels...	2,462,860	6,947,440	9,410,300
Steam Vessels	17,514,846	3,510,452	21,025,298
Total Increase	19,977,706	10,457,892	30,435,598

The enormous increase of carrying power obtained by the introduction of steam is clearly shewn in the fact that, while the tonnage entered and cleared in sailing vessels has increased from 12,267,396 to 21,677,696 tons, the tonnage entered and cleared in steam vessels has risen from 1,736,992 to 22,762,290, and of this increase the United Kingdom has obtained its fair share. In 1849 about one eighth the tonnage entered and cleared consisted of steam vessels; in 1873 the proportion was above one half. An examination of the details of the returns shows that British interests have not been damnified by the adoption of free trade in shipping.

The statistics already referred to are confined to foreign commerce; there still remains for examination the records of our coasting trade. In this, as in other instances, it does not appear that we have suffered from free competition. Foreign shipping was first

admitted into this department of our trade in 1854; in that year the tonnage entered with cargoes coastwise was:—British, 12,762,107 tons; Foreign, 46,483 tons. In 1873 after nineteen years' free competition, the returns were:—British, 21,369,167 tons; Foreign, 125,130 tons. The chief portion of this increase has taken place in the trade between Great Britain and Ireland, the tonnage entered in that trade having been 2,042,146 in 1854, and 8,170,650 tons in 1873; the tonnage entered in the remaining coasting trade was 10,766,444 tons in 1854, and 13,323,647 tons in 1873.

The shipbuilders of the United Kingdom were among the most clamorous upholders of the system of protection. They imagined that the repeal of the navigation laws would destroy their trade, and land themselves and their work-people in irretrievable ruin. Even in recent years it has been attempted to demonstrate the evils of free trade by reference to the decline of shipbuilding on the Thames, which had been unduly fostered by the era of speculation, which preceded 1866, and then suddenly collapsed during the long continued panic of that year. It was not, however, foreign competition which removed this trade from its former seat, but the superior advantages offered by the Tyne, the Tees, and the Clyde. The following summary of two decennial periods, the first during the era of restriction, the second under free trade, shows a remarkable increase in this branch of industry:—

SAILING AND STEAM VESSELS BUILT AND FIRST REGISTERED IN THE UNITED KINGDOM.†

Ten Years.	Number.	Tons.
1840-1849	8,954	1,313,807
1861-1870	11,426	3,375,507
Increase	2,472	2,061,700

The existence of the Navigation Laws was insisted upon as necessary to maintain our naval supremacy at sea; hence their repeal was opposed upon political, as well as upon economic grounds. It was feared that our nursery of seamen for the Royal Navy would be destroyed if these laws were abrogated, and there were supporters of free trade in corn and other commodities, who, from such considerations, opposed free trade in shipping. It is a remarkable fact that the Navigation Laws were upheld by Adam Smith as a means of national defence, although he could not justify them as economically sound. Even his clear and logical mind failed to perceive that the best defence of the country would be found, if the energies of the people were emancipated, and he argued that a monopoly of the shipping trade was necessary, in order to enable a maritime people to defend themselves. The consistent protectionists were as ardent in their opposition to the bill repealing these laws as they had been to the abolition of the similar restrictions which prevented the free importation of food.

Before the second reading in the Commons of the bill repealing the Navigation Laws the Marquis of Granby said, "I own I dread this introduction of foreign ships into the colonies, and harbours, and ports of this

† Since 1871 the returns show the number built, whether registered or not.

country. It puts me in mind of the introduction of the wooden horse of old into the City of Troy."

Upon the second reading in the Lords, the late Lord Brougham, in one of his erratic moods, defended the existing laws, and asked, in reference to their supposed influence upon our maritime supremacy, "are you prepared to abandon a system to which you owe so precious a possession, not only the foundation of your glory, the bulwark of your strength, but the protection of your very existence as a nation?" This extract from his speech is a striking illustration of the power of a fallacy, even over men of great intellect.

Among seafaring men the measure was regarded with the direst apprehension, an example of which is to be seen in a petition presented to the House of Commons by Viscount Ingestre, signed by 2,800 seamen, masters, and mates of vessels belonging to the port of London. It stated that they were loyal subjects of Her Majesty, but that, if the Navigation Laws were repealed, they feared they would be obliged to seek for a livelihood by engaging in the vessels of foreign nations, and that, when a war broke out, they might then, perhaps, be in the service of the enemy, forgetful of the fact that the United States Marine was largely filled by English sailors and that the right of search for British seamen had long been a subject of hostile debate between the two Governments.

Such were the apprehensions entertained respecting that great measure of commercial reform, which removed from British shipping the special legislative protection it had so long enjoyed. Experience has

proved that the dreaded evil has been a positive blessing. The growth of our shipping, the vast extension of our dock accommodation, and the creation of new ports since the repeal of the Navigation Laws prove that the real source of national prosperity lies in the energy and enterprise of the people. These work most effectively, when unencumbered by special legislative protection and assistance.

It now remains to examine the effect of free trade legislation upon the interests of the British colonies. When the special protective favouritism which they had long enjoyed against foreign competitors was removed, the probable consequences depicted by their advocates in the House of Commons were most alarming. Because the people of this country were about to enjoy the blessing of cheap sugar, Mr. Disraeli described the prospects of the colonies by asserting that the most magnificent colonial empire in the world was drifting amid the breakers. The policy which had long prevailed in Downing Street was one which provoked chronic discontent. Self-government was denied to the inhabitants of our dependencies, their trade was regulated by the British Parliament, and their internal affairs were minutely watched and administered from this country. So far as the West Indies was concerned this was done, mainly in the interest of proprietors resident in England, not in the interest of the inhabitants of the colonies. Who can wonder that such a system produced discontent, disaffection, and rebellion?

It was the aim of our tariff, during the protective era, to foster certain branches of colonial industry, by

giving them a preference over their foreign rivals, while in other cases the home producer was carefully guarded against the competition of his colonial fellow subjects. As an example, the people of this country were not allowed to eat corn, grown in possessions which they were taxed to maintain, until it had paid a heavy protective duty in favour of the British farmer. Viewed in the light of recent experience the colonial policy of those days can only be described as one which rendered the prosperity of the Colonies an impossibility, and their separation from the mother country an inevitable event.

The destruction of our Colonial Empire, so confidently predicted by the protectionists, as the certain result of Free Trade, is not apparent in the returns of the Board of Trade and of the Customs. In 1840 the total exports of British and Irish produce and manufactures to these dependencies was £17,099,006; in 1850 they reached £19,428,891; the highest year during that period, except 1850, was the year 1845, when they were £18,616,691. In 1860 they reached £43,664,835, and in 1873 the amount was £66,328,471. In 1855, when the total value of imports and exports was first ascertained, the value was as follows: imports, £33,583,311; exports, £28,858,921. In 1873 the figures were: imports, £81,010,122; exports, £71,137,707. If we take the two groups which were the special objects of legislative protection, the North American colonies, which had a monopoly of wood and timber, and the West Indies, which were similarly favoured in respect to sugar, we shall not find that Free Trade has effected their ruin. In 1855 our

imports from the North American colonies were £4,693,065, and our exports to them £3,089,170; in 1873 the figures were, imports, £11,727,851; exports, £9,373,776. The returns for the West Indies for the same years were as follows:—1855, imports, £5,470,212; exports, £1,982,601; 1873, imports, £6,475,392; exports, £3,644,615. In both these instances the colonies have sent us an increased value of their own commodities, and as a natural consequence there has been a vast addition in the exports we have sent them.

It is no doubt true that our trade with Australia has been largely increased in consequence of the gold discoveries which since the year 1848 have attracted a considerable population to that part of the world. It is, however, impossible to conceive that the important business relations that have sprung up between those colonies and this country could have reached their present growth but for the freedom of commercial intercourse which has existed on our part. The policy of free importation, which had been inaugurated prior to the gold discoveries, has enabled us to derive the greatest advantage from them. England has become a mart for colonial and foreign produce of every kind, to an extent that would not have been possible under a policy of restriction and exclusion.

If this country had attempted to maintain any such policy the result would have been the same in the case of Australia, as it was in the case of Canada. Distrust would have prevailed; the attempt to secure a monopoly of the trade of those colonies would have

been resented; and increasing commerce would have been impossible. It is largely owing to free trade that so many of the difficulties which existed in the case of other colonies have been absent at the Antipodes, and that the relations of this country with the Australian colonists have been devoid of bitterness and recrimination.

If there is any ground of complaint at the present time, it exists, not on the part of the colonists, but on that of the home taxpayers, who are called upon to sustain heavy burdens for the maintenance of the integrity of the Empire, towards which the colonists make no contribution, although they rely on the Imperial Government for their defence. Notwithstanding this fact the principle of colonial independence has been carried to such an extent that, in some of our colonies, protective duties are levied for the purpose of excluding our manufactures from their markets, and endeavouring to foster the growth of their own manufactures. This is a position of affairs which may very reasonably be objected to by home taxpayers, whatever may be their views upon the question of protective duties. It is contrary to the only principles upon which a permanent union can be maintained, and is, in effect, a separatist policy on the part of those who most loudly protest their desire for a continuance of union. It has no parallel in history, and is as unsound as it is unprecedented.

It is evident, from the facts already adduced, that, during the last thirty years, there has been a development of trade and commerce in this country, and a corresponding growth of manufactures to an extent

unapproached at any previous period of our history. The gigantic transactions that pass through the London Bankers' Clearing House afford additional evidence of this fact. In the year 1869 the weekly average was £69,263,000; in 1870 it was £75,092,788; and in 1871 it was £92,061,865.* From whatever point of view the subject is examined the result is the same; extensive remissions of taxation have been attended by a corresponding increase in the revenue; the foreign trade of the United Kingdom has assumed proportions truly marvellous; vast additions to our food supply, collected from all parts of the globe, testify to the increased prosperity of the great mass of the population; real property of every description has been largely augmented in value; capital has grown to such an extent that it constantly overflows the boundaries of this country and seeks channels for investment in our own colonies and foreign states; our mercantile marine equals that of all other countries combined; and our colonies have become more prosperous and more thoroughly attached to the mother country. The progress of this prosperity, traced step by step, shows that it is owing, not to the fostering care of the legislature, but to the fact, that legislative interference with trade and industry has been, to a very large extent, abandoned. Prohibitions upon foreign trade have ceased to exist; no duties are now imposed for protective purposes; a simple revenue tariff is the result of

* Miscellaneous Statistics of the United Kingdom. Pt. VIII. 1872.

modern fiscal reforms. It has been shewn clearly, in numerous instances, that, although reductions of duties are beneficial, the entire repeal of Customs duties is most productive of advantage.* The problem now deserving of consideration by the people of this country is the possibility of removing all remaining obstructions upon trade and prosperity, by abolishing the Custom House, and making the whole United Kingdom one free port. The aim of a sound financial policy should be to levy taxation upon the results, not to impede the processes, of trade and industry. The modern triumphs of mechanical and engineering science, which are our constant boast, consist mainly in improving communication and lessening the difficulties of time and space. Railways, steam vessels, and the electric telegraph, are the instruments of this mighty change, bringing, as they do, the producer and consumer to each other by the shortest road. If we believe that increased facilities of inter-communication between nation and nation are fraught with advantage to mankind, it must be an absurdity to maintain that great hindrance to free intercourse, the Custom House. Our own experience proves the advantages which would attend its abolition; in every instance in which even small duties have been repealed, the benefits have proved most conclusive. It would, therefore, be a

* See Mr. Gladstone's Financial Statement of 1861, for an illustration of the respective effects of increasing, reducing, and abolishing duties. In the Budget of 1860 some duties were increased, the result was a decreased importation of 17½ per cent.; the imports of the articles, the duty on which was not altered, were stationary; the increase in the importation of articles on which the duty was reduced was 17½ per cent; and in those on which the duties were repealed there was an increase of 40½ per cent.

wise proceeding to aim at securing perfect freedom of trade, by the abolition of the restrictions which are inseparable from the system of levying a revenue by means of Customs and Excise.

It should, moreover, never be forgotten that the great instrument by means of which our recent national prosperity has been accomplished is direct taxation. The Income Tax was first imposed by Pitt, as an engine of war; it was revived by Peel, to repair a failing revenue and revive trade and industry. The benefits it has conferred upon the nation during peace have far outweighed its services in war. It has converted a chronic deficiency into a certain surplus, has enabled successive Chancellors of the Exchequer to repeal a large mass of pernicious taxation. It has made the incidence of taxation more just than formerly, by compelling from wealth a direct contribution to the necessities of the State. It no doubt has its disadvantages, but they have been far outweighed by the benefits it has conferred upon the community. Even those who have clamoured for its repeal have been partakers of the increased wealth and prosperity which it has rendered possible. In 1842 it was introduced, in an apologetic manner, by Sir Robert Peel, in order to enable him to reform the tariff; in 1845 the results of that reform were so apparent, that its renewal was proposed without any hesitation and accepted by its former opponents. It was then continued till 1853, when Mr. Gladstone again renewed it for seven years, in order to secure, during that period, a succession of further fiscal reforms, the completion of which was rendered impossible by the Crimean war. During that war it pro-

vided a considerable portion of the additional revenue which was necessary for the prosecution of hostilities. Upon the return of peace it resumed, at a reduced rate, its beneficent mission of developing the resources of the country. In 1860 an additional penny enabled Mr. Gladstone to carry into effect the important and beneficial financial changes which were rendered necessary by the French Treaty. Since that year it has provided the means by which many further reforms have been rendered possible. In 1841-2 a total gross revenue of £52,000,000 was raised with difficulty, in 1873-4 a revenue of £77,000,000 was raised with ease. For this result, as well as for a reduction of indirect taxation to the amount, in round numbers, of £24,000,000, the country is indebted to the Income Tax. Looking at all these facts it must be evident that it would be a most suicidal policy for the people of this country to consent to its repeal, without providing a substitute, which would place, at least, an equivalent equal burden upon the wealth of the country. This tax has one great and transcendant merit in comparison with the taxes that it has replaced; it does not hinder the creation of wealth, the expansion of trade, nor the development of manufacturing industry. It has also this signal advantage over indirect taxation, that every penny levied through its instrumentality is received by the State, and applied to the purposes of government, while in the case of Customs and Excise a far larger amount is exacted from the taxpayer than finds its way into the Exchequer.* The apparent ease

† See the "Queen's Taxes," chap. xxiv. for the cost of collecting indirect taxes.

with which indirect taxes are collected is a great delusion, the burden which they impose upon the taxpayer being vastly in excess of the amount they raise for the State, while the injurious effects which they produce upon trade and industry are incalculable. If Chambers of Commerce desire to promote the real interest of the mercantile community, they can take no wiser course than to demand the abolition of all fiscal restraints upon trade. With some few exceptions, their efforts have hitherto been entirely directed, so far as taxation is concerned, to demanding the repeal of the Income Tax, which, with all its faults, has been the main source of the great prosperity which has accrued to British Commerce during the last twenty years. The ostensible payment of a tax upon profits has appeared to them more onerous than the far heavier burden, which, levied in disguise, so as to deceive the taxpayer, is placed upon trade and industry by duties of Customs and Excise. It is equally the interest of owners of real property to secure the abolition of these hindrances to the creation and development of wealth. It is clearly proved, by the facts previously detailed, that landowners have derived by far the largest space of permanent advantage from recent fiscal changes. In removing taxation from the shoulders of industry and placing it upon wealth, owners of property take one of the surest means of augmenting to the utmost the value of their possessions, and at the same time spreading employment, prosperity, and contentment throughout every class of the community.

CHAPTER XIV.

MODERN FINANCE AND THE WORKING CLASSES.

The effect of the financial policy of the last thirty years upon that numerous section of the community which subsists on weekly wages, and is generally known under the designation of the working classes, is an enquiry of the utmost importance. Under this description are included more than two-thirds of the entire population of the United Kingdom, and it is of little avail that wealth has increased, and that the comparatively small number, by whom it is enjoyed, are able to live in greater luxury and splendour, if there has been no material amelioration in the condition of the great mass of the population. The true wealth of a nation consists in the prosperity and contentment of its people, and its condition must be tested, not by the splendour of the few, but by the degree of comfort and well-being which exists among the many.

That the position of the working classes of the United Kingdom has been greatly improved since the removal of restrictive laws upon commerce is unquestionable. Here and there a Conservative orator may be found, who either positively denies the fact or expresses a doubt that any improvement has taken place; in such cases, however, zeal has usually outrun discretion, and the only fact made plain has been the ignorance or the imprudence of the speaker. Abundant

evidence has already been adduced in proof of the existence, during the first forty years of the present century, of such continued misery and depression, as cannot be conceived by working men of the present day. It is true there were years when this distress was slightly mitigated, but there was no permanent improvement, until the restrictive laws by which it was created were gradually swept away. The miseries of war, with the exception of actual participation in conflict, were perpetuated for thirty years after the peace of 1815, and the rulers of the country wondered that the people were discontented.

Additional evidence respecting the disastrous condition of affairs during this melancholy period can hardly be necessary. The following extract, however, from a letter written by General Sir Charles Napier,* in January, 1840, when in command of the northern district, presents so concise a summary of the position that it is worthy of republication in any volume treating of this question. He says :—

"Misery is running riot through the greatest part of this district, that is to say, through the manufacturing parts; the agricultural parts suffer less perhaps; at all events, being less condensed, it is less perceptible."

This picture, although it may appear highly coloured, is nevertheless perfectly accurate, and is drawn by a competent witness, whose military duties compelled him to become acquainted with the condition of the whole northern portion of the kingdom.† It was his

* Life and Opinions of General Sir Charles Napier. Vol. ii.

† See Appendix for corroborative evidence collected from the Parliamentary debates upon the Corn Laws and upon National Distress.

unfortunate task to have to provide against outbreaks which were the inevitable result of law-created misery and starvation.

The following expression of his opinion as to the cause of the disorders then prevalent, and the appropriate remedy, is taken from his secret journal.* It is so characteristic of the man, and so sound in its practical wisdom, that it is worthy of being diffused among a generation that appears to be ignorant of many important events, vitally affecting their own social and political well-being, that have occurred within living memory.

"There are queer fellows in this world. Every day I hear the same stupid opinions expressed, and the same demand for what are called *vigorous measures;* that is to say, hanging a dozen men called agitators—that is to say, men who differ in opinion from the men who demand their death. A pretty mode of governing! The people are discontented because they want food. A few men cleverer or bolder than the crowd, either from evil design for their own gain, or from honest indignation, or from wisdom, or from some other cause, speak aloud what they think will relieve the people, and are believed. These speakers are called demagogues, and your vigorous people would hang them. Well, they are hanged. Are the people fed by that? No! they become more angry, more vindictive, and the peril of the country is greater. Such is the result of vigorous measures so called, but which are really *idiot measures.* 'What, then, is to be done?' says John Donkey, the member, the legislator, the statesman! Why, feed the people, Johnny, and give them votes, short parliaments, ballot—give them their rights. Here we are on the eve of an outbreak. What good will victory do? The people beaten in the field will resort to assassination and fire, and thus become entirely demoralised by bad government."

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* "Life and Opinions," vol. ii., p. 101.

Happily for the country, the wise policy recommended by the gallant general was at length acted upon. The people were fed, or rather were allowed to feed themselves; law-created restraints upon trade, which prevented them earning their bread, were repealed, and, as a natural consequence, the alarming condition of affairs disclosed in these extracts ceased to exist. The hunger of the people was appeased, their discontent was removed, and they have since obtained, through the peaceful exercise of public opinion, the suffrage and the ballot. The disorders of the period of which Sir Charles Napier writes afford a forcible contrast to the patience with which the inevitable sufferings of the cotton famine were borne by the operatives of Lancashire. In the one case they knew that their misery was the creation of the law; in the other, that it was beyond the control of the Government. Hence arose their impatience in the one instance, and their patience in the other.*

The effect of the recent growth of wealth upon the

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* The fiscal policy which prevailed for so long a period after the end of the French war was a perpetuation of the evils under which the people suffered during its continuance. It was, in fact, a prolongation of war misery in a time of peace. The consequences, both in war and peace, were disaffection to the government. In "Jesse's Memoirs of the Life and Reign of George the Third," he narrates that, when the king went in state to open Parliament, on the 29th October, 1795, "seditious cries of 'Bread! bread!—Peace! peace!—No king!' assailed the king's ears during the whole of his progress." Hungry stomachs were seditious enough to cry for bread, and the want of bread having been caused by war, the people became clamorous for peace; and as they attributed their woes, whether rightly or wrongly, to the influence of the king, they were converted by hunger into enemies of his authority. It was, as Mr. Jesse adds, among the more comfortable and well-to-do upper and middle classes, who suffered none of the pangs of hunger, that the war continued popular.

wages of the working classes, especially in connection with the rise of prices that has occurred in respect to many articles of consumption, is an inquiry of great interest and importance, and although it has been discussed upon several recent occasions, it still needs a complete investigation. At the commencement of the year 1874 an article appeared on this subject from the pen of no less an authority than Professor Fawcett,* in which he expresses the opinion that there has not been a sufficient rise in the remuneration of labour during the last twenty years, to compensate the labourers for the increased cost of living, consequent upon the rise of price that has taken place in so many articles of consumption. It is very difficult to arrive at an accurate conclusion upon the point, owing to the want of statistics sufficiently wide to give a full view of the industry of the whole kingdom. The instances quoted by Professor Fawcett are connected with the engineering trade, the Government dockyards, and shipbuilding on the Thames. With respect to the first there can be no question that this branch of industry received a remarkable development during the period of railway construction, and cannot be quoted as a fair example of the average remuneration of labour. Between the 1st January, 1844, and the 31st December, 1854, more than six thousand miles of railway were constructed, and the consequent demand for locomotives created what may fairly be described as a new branch of industry, into which men were gradu-

* "The effect of an increased production of Wealth on Wages." *Fortnightly Review*, January, 1874.

ally drafted from other similar employments, at a high rate of wages. In the Government dockyards ordinary conditions of labour do not apply, permanence and certainty of employment equalizing the remuneration in good and bad years, while, in the case of ship-building on the Thames, wages have declined in consequence of the competition of the Clyde, the Tyne, and the Tees, whose superiority of position in reference to coal and iron has given them a great advantage over their less favoured rival. It is not, therefore, by any means clear that Professor Fawcett's conclusions are accurate in respect to the general industries of the country. It is necessary to take a wider survey before arriving at a positive conclusion upon the subject.

In a former work the question of wages and prices was considered by the author,* both with respect to agricultural and manufacturing industry. The period of comparison chosen for the former was the year 1851, when complete statistics were collected for the *Times* newspaper by Mr. Caird, and the year 1861, for which returns were published by the Government. The facts obtained from these sources showed a considerable advance in wages during the ten years ending 1861. With respect to manufactures, the years selected were 1839, when the full influence of the protective system was experienced, and 1860. From all the information then accessible it appeared that, at that time, the operatives in the manufacturing districts had reaped a double benefit—there was an advance in wages, and a decrease in the price of food.

* "Fiscal Legislation, 1842—1865," chap. xiii.

Professor Fawcett refers to a different period—the last twenty years—during which time the financial policy introduced by Sir Robert Peel became really effective in increasing the trade of the United Kingdom. In 1840 the Exports of British Produce and Manufactures were £1 18*s.* 9*d.* per head of the population, in 1852 they were £2 16*s.* 11d. per head, an increase during the twelve years of 18*s.* 2*d.* In 1873 the same exports were £7 18*s.* 10*d.* per head, an increase over the year 1852 of £5 1*s.* 11*d.* per head of the population. It is impossible to suppose that this vast addition to our exports can have taken place without providing greatly increased employment for the people. The growth of trade has far outstripped the growth of population. It is no doubt true that much of our increased production is owing to the increase of machinery, which always causes a temporary displacement of labour, but, in the long run, by cheapening production, consumption is stimulated, and the displaced labour is again absorbed.

It is not, moreover, in the increased demand for existing productions that the full benefit of the results of machinery is experienced; it extends throughout the whole circle of trade and industry. The savings effected in the purchase of one class of goods are expended in other directions, and, as the wants of men increase with their increasing prosperity and civilization, old industries are stimulated and new ones created. Channels of employment are thus indefinitely multiplied, and the resources of the great body of the people are increased to an extent that would otherwise be impossible. Many comforts, and even

luxuries, are now placed within the reach of working men, which were impossible of attainment by their forefathers. A forcible illustration of the effect of machinery is to be found in the history of the newspaper press. The "penny daily" finds employment for a far larger number of people, in every department of industry connected with its production and distribution, than was possible in the days of high priced newspapers with their comparatively limited circulation.

The same question has also been discusssed by Professor Thorold Rogers,* who arrives at the conclusion that the operatives, as they are roughly called, have bettered their condition, the demand for their labour having been active and progressive, but that the gains of labour have been nothing as compared with the profits of capital. With respect to agricultural and unskilled labour, Professor Rogers is of opinion that the economical changes in the English fiscal system, unaccompanied, as they have been, with other necessary internal reforms, have not been equally beneficial. He argues that the growth of the railway system has worked disastrously for the peasant, and that, with the solitary exception of house rent—though this has also risen—the cost of living in country districts has doubled within the last thirty years, and that some articles of food, once within the reach of all, are now practically unattainable by country people. It is not so much that prices have intrinsically risen, as it is

* Cobden and Political Opinion. Macmillan & Co., pp. 208-10.

that the country is swept of its produce for the towns. The latter, moreover, have not benefited as much as might have been anticipated, the destruction of large numbers of working class dwellings, to make room for railways and warehouses, having greatly increased the rents of such accommodation as can be obtained by the working class inhabitants of London and other large centres of population.

It would be reasonable to suppose that the vastly increased demand for agricultural productions, that has arisen in recent years, had stimulated agriculture to such an extent, that supplies of foreign food were only necessary in order to supplement the unavoidable deficiencies of our own soil. Such, however, is not the case; the United Kingdom has become increasingly dependent upon foreign countries, while its own lands are imperfectly cultivated. In the report of the Committee of the House of Lords, appointed in the session of 1873, to enquire into the question of improvement of land, it is stated, upon the authority of Mr. Bailey Denton, that, out of 20,000,000 acres requiring drainage, only 3,000,000 are as yet drained. Mr. Caird, another eminent authority on the subject of agriculture, says that only one-fifth of the improvements required have been as yet effected. This statement is corroborated by Mr. Mechi, who asserts that the land does yield one-fifth of the food it ought to do, while the present Earl of Derby, a very cautious man, has asserted that the soil of England might be made to yield double its present produce. There is a striking concurrence of opinion among competent authorities as to the necessity of further improvements in agricul-

ture; it becomes, therefore, a serious question for the consideration of the people of this country, as to how far the existing tenure of land tends to discourage the investment of capital in its cultivation, and thus diminishes our food supply, and lessens the home demand for the productions of our manufacturing industry. The discussion of these questions will probably open up a new chapter of economic reform, and find a work for Parliament not less important than the adoption of free trade in corn.

With respect to the general question of wages, Mr. John Plummer, a well-known authority upon all subjects affecting working men, and a close observer of the condition of the class from which he has sprung, says, in an article on "Work and Wages at home and abroad," which well deserves perusal by both employer and employed :*—

"The rise in the various rates of wages in this country during the last five years has been variously estimated. In some trades it has been as high as 50 or 60 per cent., and even more, but the average rise may be taken at from 20 to 30 per cent., the hours of labour being diminished in like proportion."

A similar opinion was expressed by Mr. Thomas Brassey, M.P., in his address as president of the Economy and Trade Section of the Social Science Association, held at Norwich in 1873.† It is well known that Mr. Brassey has paid considerable attention to this subject, and he sums up the result of his inquiries in the following words :—

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* "British Almanack and Companion," 1874.

† "Wages in 1873." Longmans & Co.

"The great advance of wages is a conspicuous feature of modern English industry, and is obviously due to the rapid growth of the general trade of the country. The long depression following on the panic of 1866 has been succeeded by a period of unprecedented activity in every branch of our export trade. The demands upon the labour market have far exceeded the supply, and the artisan and labourer have not been slow to take advantage of a situation which afforded to them a brilliant opportunity."

In a large colliery in which Mr. Brassey has an interest, the average rate of wages for all the men employed rose from 20s. 11d. in 1869, to 36s. 8d. in 1873. In Northumberland there was a rise during the same period of 48 per cent., and in Durham of 50 per cent. In the ship-building and engineering trades there was also a considerable advance. It is true that, during the last few months, workmen have had to submit to reductions, the necessity for which appears to be admitted by employed as well as employers. Periods of slack trade will recur, but the extended market which we have secured by means of our modern fiscal policy renders it exceedingly improbable that the excessively low wages of the protective era will again prevail. We pass through seasons of bad trade with much less pressure than formerly. It is no doubt matter for regret that in times of prosperity the Excise return should show so large an increase in the consumption of intoxicating drinks, but it may be hoped that with the spread of education and of rational amusement there will be an increase of saving and provident habits.

That the general tendency of wages during the last thirty years has been upwards cannot be seriously questioned. There may be some trades in

which no advance has taken place, but these are exceptional.* The real question of moment in the discussion appears to be, whether the advance in wages has been accompanied by such a rise in prices as to deprive the working classes of the benefits they would otherwise have received. The extraordinary increase in the importation and consumption of articles of food that has taken place since 1840,† appears to prove that the power of the people to purchase the comforts of life has been largely augmented. It cannot for one moment be imagined that any considerable portion of this increase is owing to the increased consumption of the upper and middle ranks; its magnitude refutes the notion that it has arisen from the growth of population. The only conclusion at which it is possible to arrive, from a careful examination of the whole subject, is that the great masses of the people are now in a much more favourable position than they were formerly, and have consequently been able to increase their demands for the necessaries and comforts of existence.

The growth in the consumption of Malt, Spirits, and Tobacco, affords evidence of a vast accession of prosperity among the working classes. It is no doubt true that wine and foreign spirits are more largely consumed by the middle and upper classes

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* The want of complete statistics as to the general rate of wages throughout the various trades of the United Kingdom renders it very difficult to arrive at an exact comparison of the earnings of the working classes at different periods. In the few cases in which the author has found it possible, he has collected statistics, which will be found in the appendix.

† See *ante*, p. 191, for details respecting the years 1840, 1865, and 1872.

than formerly, but the vast additions that have been made to the revenue from British spirits and malt are a powerful testimony to the increased resources of working men. The following table shows the average per head for three distinct periods, each of five years :—

QUANTITIES RETAINED FOR HOME CONSUMPTION PER HEAD OF THE POPULATION.

	YEARLY AVERAGE.		
	1840-44	1855-59	1868-72
Malt bush.	1·37	1·51	1·78
British Spirits gal.	0·74	0 82	0·75
Foreign Spirits „	0·12	0·17	0·27
Tobacco lbs.	0 84	1·16	1·35

These figures shew a steady increase in Malt, Foreign Spirits, and Tobacco, while in British Spirits there is an apparent decrease during the third period. An examination of the returns, however, does not give so favourable a result, the consumption of British spirits having risen from 0·70 gallons per head in 1868, and 0·71 in 1869, to 0·74 in 1870, 0·78 in 1871, 0·86 in 1872, and 0·91 in 1873. The consumption per head of malt was 1·73 bushels in 1868, and 1·98 bushels in 1873; of Foreign spirits 0·28 gallons in 1868, and 0·32 gallons in 1873; and that of tobacco 1·35 lbs. in 1868, and 1·41 lbs. in 1873. The increase in Foreign spirits is mainly owing to the reduction and equalization of the duty, and is to some extent merely apparent, not actual, the reduction having materially lessened the profits of the smuggler and thus diminished his occupation. A portion of the large increase in tobacco may probably be accounted for in the same way, that article and spirits being frequently "run" together.

The Commissioners of Customs, in their late yearly reports, have expressed the opinion that smuggling has greatly decreased, and, if that be the case, there will naturally be an increase in the quantity of spirits and tobacco paying duty.

In connection with this question it is interesting to compare our expenditure upon Foreign spirits, wine, and tobacco, with our expenditure upon imported articles of food, and tea, coffee, and similiar beverages. The value of our imports of the three first named articles in 1872 was as follows:—

Foreign Spirits	£2,296,875
Wine	£7,718,848
Tobacco	£2,709,032
Total	£12,724,755

The value of imported food, tea, coffee, &c., for the same year was as follows:—

Living animals used in food	£4,394,850
Dead meat	6,140,707
Butter, cheese, eggs, and fish	11,682,093
Corn, grain, and meal	51,228,816
Fruit	5,992,772
Rice, sago, and potatoes	5,453,252
Spices	1,247,419
Sugar and molasses...	21,574,679
Tea, coffee, chicory, and cocoa	18,747,281
Total	£126,461,869

These figures are exclusive of the duty, which is paid upon taxed articles taken out of bond. They show very clearly that it is only a small portion of our exports which is exchanged for articles to which

any exception can be taken, and that the bulk of our imports of commodities of domestic consumption are the necessaries of existence.

An examination into the question of prices must necessarily commence with that great staple article wheat, for Foreign supplies of which, in the shape of corn and flour, we paid upwards of £159,000,000 during the six years ending 1873. The following table shows the average Gazette price of British wheat for each year since 1834.*

	s.	d.		s.	d.		s.	d.		s.	d.
1834	46	2	1844	51	3	1854	72	5	1864	40	2
1835	39	4	1845	50	10	1855	74	8	1865	41	10
1836	48	6	1846	54	8	1856	69	2	1866	49	11
1837	55	10	1847	69	9	1857	56	4	1867	64	5
1838	64	7	1848	50	6	1858	44	2	1868	63	9
1839	70	8	1849	44	3	1859	43	9	1869	48	2
1840	66	4	1850	40	3	1860	53	3	1870	46	10
1841	64	4	1851	38	6	1861	55	4	1871	56	8
1842	57	3	1852	40	10	1862	55	5	1872	57	0
1843	50	1	1853	53	3	1863	44	9	1873	58	8
Average 56s. 3d.			Average 49s. 4d.			Average 56s. 11d.			Average 52s. 8d.		

It does not appear from these figures that there has been any increase in the average price of corn, but the contrary. If the years 1854, 1855, and 1856, when the disturbing influence of the Crimean war has to be taken into account, are excluded, it will be seen that there has been a considerable diminution. These figures are corroborated by a statement of prices quoted by Mr. Brassey,† from which it appears that, from

* For the first six years see Porter's "Progress of the Nation." For remainder, the Statistical Abstracts.

† "Work and Wages." p.p. 164—165.

1849 to 1853 the price of bread varied per lb., $1\frac{1}{8}$d. to $1\frac{1}{2}$d.; in 1854-55-56 it was respectively $2\frac{1}{8}$d., $2\frac{1}{4}$d., $2\frac{1}{8}$d.; from 1857 to 1866 it varied from $1\frac{1}{8}$d. to $1\frac{5}{8}$d.; in 1867-68 it was 2d. and $2\frac{1}{8}$d.; and in 1869 it fell again to $1\frac{5}{8}$d. So far as bread-stuffs are concerned, it is clear that there has not been any advance, but that, in consequence of the repeal of the Corn Laws, there has been a vastly augmented supply at a reduction in price.

Another very important article of farinaceous food is rice, and, in this, the reduction is still more remarkable. The price paid at St. Thomas's Hospital in 1842 was 33s. per cwt., in 1848 17s. to 19s., in 1860 13s. 4d., and in 1870 13s. 3d.* The importation for these years was, respectively, 552,834 cwts., 1,030,999 cwts., 1,525,379 cwts., and 4,175,646 cwts. In the case of this article, so valuable where there are families of young children, the advantage conferred upon the working classes by free importation is very marked.†

These additional supplies of farinaceous food have been largely made available for the consumption of the people through the increased importation of fruit and other articles which are used with them by way of relish. For instance, the value of currants, figs, and

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* "Journal of the Statistical Society." Vol. 13, and "Miscellaneous Statistics of the United Kingdom."

† The following are the rates of duty levied upon Rice at different periods.

Before 1842	..	Foreign	15s.	Colonial	1s. per cwt.
1842 to 1846	..	,,	6s.	,,	6d. ,,
1846 to 1853	..	,,	1s.	,,	6d. ,,
1853 to 1860	..	,,	$4\frac{1}{2}$d.	,,	$4\frac{1}{2}$d. ,,

The duty was repealed in 1860. The prices paid at the different periods above-named are a very forcible commentary upon the effects of protective duties.

raisins imported has increased from £930,867 in 1840, to £2,964,981 in 1872; eggs, from 96,149,160 in number, and £220,342 in value in 1840, to 531,591,720 in number and £1,762,600 in value in 1872. In 1840 we imported 458,631 cwt. of molasses and cane juice, valued at £600,949; in 1872 we imported 726,315 cwts., valued at £387,078.*

The articles of food in which there has been the most marked advance in price are those which cannot readily be imported in good condition, such as fresh meat, fresh butter, and milk. This advance, however, is a proof of increased demand, and affords additional evidence of the growth of national prosperity. The following statement of the average prices of live animals in the Metropolitan Cattle Market for the years 1842, 1855, and 1870, is compiled from returns laid before Parliament by the Board of Trade.†

Beasts, per stone of 8 lbs.	1842		1855		1870	
	s.	d.	s.	d.	s.	d.
Inferior	3	4¼	3	6½	3	7
Second class	3	7	4	0½	4	4½
Third class, large prime	3	11¼	4	6	4	11½
Fourth class, Scots	4	5½	4	10¾	5	4
Calves, coarse	4	2	4	4½	4	2½
Small prime	4	9¾	5	0¾	5	5

Sheep, per stone of 8 lbs.	1842		1855		1870	
	s.	d.	s.	d.	s.	d.
Inferior	3	5½	3	7	3	6
Second class	3	10	4	1½	4	2¾
Third class, long Wool	4	1½	4	7½	5	0¾
Fourth class, South Down	4	5¾	5	0	5	7½
Lambs	5	5	5	8	6	10

Pigs, per stone of 8 lbs.

	1842.		1855.		1870.	
	s.	d.	s.	d.	s.	d.
Large Hogs	4	4¾	3	8	4	10
Small neat Porkers	4	10¾	4	6	5	8½

* See Return "Imports and Exports," No. 469, Sess. 1863, for the figures for 1840. The quantities of Currants, Figs, and Raisins were 475,963 cwts. in 1840, and 1,898,118 cwts. in 1872.

† "Journal of the Statistical Society," vol. 10, p. 350, and "Miscellaneous Statistics," parts 1 and 8.

It appears from these returns that there has, in recent years, been an increased demand for first-class meat. and a consequent advance in price. In the inferior qualities there is not any material difference in the prices of 1855 and 1870, both years being slightly in advance of the year 1842.

The prices of dead meat have been regularly published since 1851 in the Journal of the Statistical Society, from which publication the following table has been compiled :—

THE *AVERAGE PRICES* OF MEAT PER LB. AT THE METROPOLITAN MEAT MARKET (BY THE CARCASE), WITH THE *MEAN PRICES*, FROM SEPTEMBER 1851 TO JUNE 1874.

Years.	Quarter ending March 31.		Quarter ending June 30.		Quarter ending Sept. 30.		Quarter ending Dec. 31.	
	Beef.	Mutton.	Beef.	Mutton.	Beef.	Mutton.	Beef.	Mutton.
	d. d. d.	*d. d. d.*	*d. d. d.*	*d. d. d.*	*d. d. d.*	*d. d. d.*	*d. d. d.*	*d. d. d.*
1851					3 —5 4	3¾—5¾ 4¾	3 —5 4	3¾—5¾ 4¾
1852	3¼—5 4⅛	3¾—5¾ 4¾	3¼—4¾ 4	3¾—5¼ 4⅛	3¼—5 4⅛	4 —6 5	3 —5 4	4¼—6¼ 5¼
1853	3¾—5¼ 4⅛	4¾—6¾ 5¾	4 —5¾ 4⅞	5 —6¾ 5⅞	4¼—6 5⅛	5 —7¼ 6⅛	4 —6 5	4¼—7 5⅜
1854	4¼—6¼ 5¼	4½—7 5¾	4¼—6¼ 5⅜	4¾—6¾ 5¾	4¾—6¾ 5¾	5 —7 6	4¼—6¾ 5⅝	5 —7 6
1855	4¾—6½ 5⅝	4¾—6½ 5⅝	4½—6½ 5½	4¾—6¾ 5¾	5 —6¾ 5⅞	5 —7 6	4¾—6¾ 5¾	4¾—6¾ 5¾
1856	4¼—6¼ 5¼	4¼—6¼ 5⅜	4¼—6½ 5¼	5 —6¾ 5⅞	4½—6½ 5¼	5 —7 6	3¾—6¾ 5¼	4¾—6¾ 5¾
1857	4¼—6¾ 5¾	5¼—7¼ 6¼	4¼—6½ 5⅜	4¾—6¾ 5¾	4¼—6¼ 5⅜	4½—7 5¾	4¼—6¼ 5⅜	4½—7 5¾
1858	4¼—6¼ 5¼	4¾—7 5⅞	4¼—6 5⅛	4½—6½ 5½	4¼—6¼ 5¼	4½—6¼ 5¼	4 —6½ 5¼	4¼—6¾ 5¼

THE AVERAGE PRICES, &c.—*Continued.*

Years.	Quarter ending March 31.		Quarter ending June 30.		Quarter ending Sept. 30.		Quarter ending Dec. 31.	
	Beef.	Mutton.	Beef.	Mutton.	Beef.	Mutton.	Beef.	Mutton.
	d. d. d.	d. d. d.	d. d. d.	d. d. d.	d. d. d.	d. d. d.	d. d. d.	d. d. d.
1859	4 5/8—6 3/4 5 3/4	4 3/4—7 5 7/8	4 3/4—6 1/8 5 5/8	5 —7 6	4 1/4—6 1/4 5 1/4	4 3/4—6 3/4 5 3/4	4 —6 1/4 5 1/4	4 3/4—6 3/4 5 3/4
1860	3 3/4—6 1/2 5 1/8	4 3/4—6 3/4 5 3/4	4 3/4—6 3/4 5 3/4	5 1/2—7 1/4 6 1/2	4 1/4—7 5 1/2	5 1/4—7 1/4 6 3/8	3 1/2—6 1/4 4 7/8	4 3/4—6 3/4 5 3/4
1861	4 —6 1/4 5 1/8	5 1/4—7 3/4 6 5/8	4 1/4—6 1/2 5 3/8	5 1/4—7 1/4 6 1/4	4 1/4—6 1/4 5 3/8	4 7/8—7 5 7/8	4 —6 1/4 5 1/8	4 3/4—6 3/4 5 3/4
1862	4 —6 1/4 5 1/8	4 3/4—6 1/2 5 5/8	4 —6 5	5 —7 6	4 1/4—6 1/4 5 1/4	5 1/4—7 6 1/8	4 —6 1/4 5 1/8	5 1/4—6 3/4 6
1863	4 —6 1/4 5 1/8	5 —7 6	4 1/4—6 1/4 5 1/4	4 3/4—6 3/4 5 3/4	4 1/8—6 1/4 5 3/8	4 3/4—6 3/4 5 3/4	4 —6 1/4 5 1/8	5 —7 6
1864	4 1/2—6 1/2 5 1/2	5 1/2—7 6 1/4	4 1/4—6 1/4 5 1/4	5 1/4—7 6 1/8	4 1/2—6 1/2 5 1/2	5 1/4—7 6 1/4	4 1/2—7 5 5/8	5 1/4—7 1/4 6 1/4
1865	4 1/2—7 5 3/4	5 1/4—7 1/4 6 1/4	4 3/4—6 3/4 5 3/4	6 1/4—8 1/4 7 3/8	4 1/4—7 5 3/4	6 1/4—8 1/4 7 1/4	4 1/4—7 5 5/8	5 1/2—8 1/4 6 7/8
1866	4 1/2—6 3/4 5 5/8	5 1/2—7 3/4 6 3/8	4 3/4—7 5 7/8	5 1/4—8 1/2 7	5 1/4—7 1/4 6 1/8	5 1/4—8 1/4 6 3/4	4 3/4—7 5 7/8	5 1/4—7 1/2 6 3/8
1867	4 3/4—7 5 7/8	5 —7 1/4 6 1/8	4 3/4—6 3/4 5 3/4	5 1/4—7 1/4 6 1/4	4 3/4—6 3/4 5 1/4	5 —7 6	4 1/2—6 3/4 5 5/8	4 1/2—6 1/2 5 1/2
1868	4 1/2—6 1/2 5 3/8	4 1/2—6 1/2 5 3/8	4 1/4—6 3/4 5 5/8	4 3/4—7 5 7/8	4 1/4—6 3/4 5 3/8	4 3/4—6 3/4 5 3/4	4 1/2—7 5 3/4	4 1/2—6 3/4 5 5/8
1869	4 3/4—7 1/4 6	4 3/4—7 1/2 6 1/8	4 3/4—7 1/2 6 1/8	5 —7 3/4 6 3/8	4 3/4—7 1/2 6 1/8	5 1/4—7 1/2 6 3/8	4 3/4—7 1/2 6 1/8	5 —7 1/2 6 1/4
1870	4 1/2—7 5 3/4	5 1/4—7 1/4 6 1/4	4 1/2—6 3/4 5 5/8	5 1/4—7 1/2 6 3/8	4 3/4—7 1/4 6	5 1/2—8 6 3/8	5 —7 3/4 6 3/8	5 1/4—8 6 5/8
1871	5 —7 3/4 6 3/8	5 1/4—7 3/4 6 1/2	5 1/4—7 3/4 6 1/2	5 1/2—8 1/2 7	5 1/4—8 6 3/4	5 3/4—9 7 1/2	5 —7 3/4 6 3/8	5 1/2—8 1/4 6 7/8
1872	5 —7 1/4 6 1/8	5 3/4—8 1/2 7 1/8	5 1/4—7 1/2 6 3/8	6 —8 3/4 7 3/8	5 1/4—8 6 5/8	6 1/4—9 1/4 7 3/4	5 1/2—8 6 3/4	6 —8 1/2 7 1/4
1873	5 1/2—8 6 3/4	6 1/4—9 7 3/8	6 —8 3/4 7 5/8	6 3/4—9 1/2 8 1/8	5 3/4—8 3/4 7 1/4	6 1/4—9 1/4 7 1/2	5 —8 1/2 6 3/4	5 3/4—8 1/8
1874	5 1/4—8 1/4 6 3/4	5 1/2—8 1/4 6 7/8	5 —8 6 1/2	5 —8 1/4 6 3/8				

The following are the prices paid at St. Thomas's Hospital:*—

	Beef. Per Stone of 8 lbs.		Mutton. Per Stone of 8 lbs.	
	Lady Day.	Michs.	Lady Day.	Michs.
	s. d.	s. d.	s. d.	s. d.
1842	3 4	3 0	3 8	3 4
1845	2 8	3 4	3 4	4 0
1848	4 0	3 4	4 8	4 0
1855	3 2	3 8	4 2	4 8
1856	3 0	3 6	4 0	4 8
1857	3 2	3 2	4 10	4 8
1858	2 9	2 9	4 4	4 4
1859	2 11	3 3	4 4	4 7
1860	3 3	3 4	4 5½	4 9½
1861	3 2	3 2	4 6	4 6
1862	3 2	3 4	4 6	4 8
1863	3 4	3 4	4 8	4 8
1864	3 6	3 6	5 0	5 0
1865	3 6	3 6	5 0	5 4
1866	3 6	3 6	5 4	5 4
1867	3 6	3 6	5 0	4 8
1868	3 6	3 4	4 8	4 6
1869	3 4	3 4	5 0	5 0
1870	3 4	3 4	5 0	5 0
1871	3 4	3 4	5 0	5 4
1872	3 4	3 4	5 4	5 8
1873	3 4	3 4	5 8	5 8

The above prices are for meat of uniform quality. The information collected by Mr. Brassey, and published in his volume on "Work and Wages," shows a considerable advance since 1852 in the retail price of meat. The following are the figures for the first and last four years, for which he gives the prices:—

	Beef, per lb.	Mutton, per lb.		Beef, per lb.	Mutton, per lb.
	d.	d.		d.	d.
1849	7	6½	1866	8	8½
1850	6	6	1867	7½	7½
1851	6	6	1868	7½	7
1852	6	6	1869	8½	9

In estimating the effect of this rise in the price of beef and mutton upon the condition of the working classes, it is necessary to enquire into their consumption of this class of food when prices were lower than they are at the present time. If it be true, as stated by a writer upon agricultural subjects, that in 1848,

* "Journal of the Statistical Society," Vol. 13, p. 215, and "Miscellaneous Statistics of the United Kingdom." The prices of the last three years have been kindly supplied by the Steward at the Hospital.

when the policy of protecting agriculture against foreign corn finally disappeared, the great bulk of the people had ceased to know anything of butcher's meat, except as an occasional Sunday luxury,* the advanced price has not so much affected those who live by manual labour, as it has the mercantile and trading classes. That a considerable portion of the working classes have, at times, had to put up with a very scanty supply of animal food, all the evidence that can be collected on the subject appears to demonstrate. In an article on Wages and Prices, which appeared in the "British Almanack and Companion" for 1834, two examples are given of working class expenditure: one, that of a man his wife and five children, the total earnings were 25s. per week, and there was expended during the week, for bacon, 1½lb., 9d., and for flesh-meat, on Sunday, about a pound, 7d.; the other was that of a man, his wife and six children, employed in agriculture, and earning 13s. 6d. per week, of which 13s. 3d. was expended with the grocer, leaving nothing for clothing, rent, or schooling, or as a provision against accidents or illness. The week's expenditure on meat in the last case was two pounds of bacon, 1s. 4d. A new source of supply has, moreover, been opened out, in our own colonies and other great meat-producing countries, from which we imported, in 1869, when, according to Mr. Brassey's figures, beef was 8½d. per lb., 229,223 cwts. of beef, the wholesale price of which, upon importation, was

* "Our Daily Food, its Price and Sources of Supply." By James Caird. Longman & Co.

under 4d. per lb. It is true that this commodity is not yet appreciated by the working classes, as it requires more knowledge of cookery than they usually possess, but it is to be hoped that, in time, it will be found a valuable addition to their food supply, and there can be no doubt that it is far more wholesome than much of the cheap butcher's meat which is sold in the poorer quarters of the metropolis. The principal article in the shape of animal food consumed by the labouring classes is bacon; it is their relish for the bread which necessarily forms the staple of their food. In 1840 we supplemented our home supply by an importation of 6,180 cwts. of bacon and hams, valued at £14,657, or £2 7s. 5d. per cwt., upon which there was a duty of £1 8s. per cwt., making the total wholesale price £3 15s. 5d., and adding to the price of all home-grown bacon. In 1872 we imported, free of duty, 2,001,855 cwts., value £4,188,981, or £2 1s. 10d. per cwt. These facts speak for themselves and prove that, so far as this article is concerned, the comforts of the people have been largely increased by recent legislation.

Notwithstanding the remarkable importations that have taken place in cheese and butter since the repeal of the duty on these articles, there has been a considerable advance in their price; while, on the other hand, there has been a decrease in sugar. The following table shows the prices paid in two large public establishments for the years 1855 and 1870.*

* Miscellaneous Statistics, pp. 1 and 8. The prices at St. Thomas's Hospital for 1873 were Butter £7 2s. 1d., and Sugar £1 15s. 3d. per cwt.

	Bethlehem Hospital.							St. Thomas's Hospital.						
	1855.			1870.				1855.			1870.			
	£	s.	d.	£	s.	d.		£	s.	d.	£	s.	d.	
Cheese, per cwt.	3	10	0	3	16	0	...	No return.						
Butter, „	5	8	0	6	2	0	...	5	8	2	6	15	9	
Sugar, „	No return.						...	2	2	3	1	16	3	

As the articles consumed in these establishments are of uniform quality, they afford a very accurate test of prices at different periods. According to the table in Mr. Brassey's "Work and Wages," the retail price of sugar had been reduced from 5¼d. per lb. in 1849, to 4½d. per lb. in 1869. There had also been a large diminution in the price of tea and coffee—the rates of which, according to the same authority, have been reduced as follows: Tea, from 5s. per lb. in 1849, to 3s. 6d. per lb. in 1869, and coffee from 1s. 6d. per lb. in 1849, to 1s. 4d. per lb. in 1869.

In the case of tea the price quoted by Mr. Brassey appears to be considerably in excess of the average paid by the working classes. Mr. Dudley Baxter, in his work on Taxation, bases his calculation as to the value of tea consumed in 1867, upon an average price of 2s. 8d. per pound, and this is in all probability more accurate for 1869 than 3s. 6d. From recent enquiries in London and Manchester, which are embodied in the following tables of prices, it is certain that the average price paid at the present time is much below the amount stated by Mr. Brassey's informant as the price in 1869, and although his information is no doubt correct as far as regards the price charged at his own shop, the locality of which is not stated, it is wide of the mark as respects London, Manchester, and, it may fairly be presumed, other large centres of population.

The researches of that able and pains-taking statistician, the late Mr. G. R. Porter, afford a means of comparing the prices now paid by the working classes of London for the principal articles of food, other than bread and meat, consumed by them. The figures which he published in 1848 and the present prices, as ascertained by careful enquiry, in the month of December, 1874, are shown in the table on the following page. It contains the prices charged, in five populous districts of London, at shops mainly patronized by the working classes, and at five co-operative stores which are mainly conducted by working men. It will be seen from an examination of these returns that there is a great reduction in the price of foreign and colonial produce, while articles produced at home, such as butter and cheese, show a marked advance, notwithstanding the abolition of the protective duties, which were formerly maintained in order to secure high prices for the British farmer. There cannot, moreover, be a more powerful testimony to the advantages of free trade than a comparison of the prices now paid for tea, sugar, and similar articles, formerly subject to heavy and protective duties, with the prices that were paid for them when the protective system was in full operation. In those days tea and sugar were the luxuries of the few, now they are the comforts of the many. It is not, however, only in this fact that the chief benefits of the free trade policy are experienced, the increased demand for such commodities as are produced in tropical climates leads to a vast development of commercial intercourse, and opens markets for our manufactures, which widely extend the area of employment for both our capital and labour.

RETAIL PRICES OF GROCERIES AND OTHER PROVISIONS IN LONDON IN 1848 AND 1874.

The prices for 1848 are taken from a paper by the late Mr. G. R. Porter on "Wages and Prices," published in the Journal of the Statistical Society, vol. xiii. They are described by him as "the retail prices paid by the working classes in a populous district of London."

The prices for 1874 have been obtained by personal enquiry from shops in (1) Lambeth, (2) Shoreditch, (3) Hackney, (4) Islington, and from co-operative stores in five different parts of the metropolis. Both the shops and the stores are largely supported by the working classes.

	1848.	1874. Shops.				1874. Co-operative Stores.				
		1	2	3	4	5	6	7	8	9
Tea.....per lb.	4/- to 6/-	2/- to 3/-	1/8 to 2/8	1/8 to 3/-	2/- to 3/-	2/- to 3/4	2/- to 5/-	1/10 to 3/4	2/- to 4/-	2/- to 4/.
Raw Sugar.... ,,	4d. to 5d.	3d. to 3½d.	3d. to 4d.	2½d. to 4d.	2d. to 3½d.	2½d. to 3½d.	3d. to 3½d.	3d. to 4d.	2½d. to 3½d.	3d. to 4d.
Refined do.... ,,	5d. to 6d.	3½d. to 4½d.	4d. to 5d.	4d. to 5d.	4d. to 4½d.	4d. to 4½d.	4d. to 4½d.	4d. to 4½d.	4d. to 4½d.	4d. to 5d.
Coffee..... ,,	1/4 to 2/-	1/- to 1/8	1/- to 1/8	1/- to 1/8	1/- to 1/8	1/4 to 1/8	1/8 to 2/-	1/6 to 1/-10	1/6 to 1/8	1/4 to 2/
Cocoa..... ,,	6d. to 7d.	8d. to 1/2	8d. to 1/4	6d. to 8d.	8d. to 1/4	8d.	6d. to 1/4	6d. to 1/2	6d. to 1/4	8d. to 1/2
Rice.....	2d. to 3d.	2d. to 4d.	2d. to 4d.	1½d. to 4d.	2d. to 3d.	2d. to 4d.	2d. to 3d.	2½d. to 4½d.	2d. to 3d.	2d. to 3d.
Currants..... ,,	4d. to 6d.	3d. to 5d.	3d. to 5d.	3d. to 5d.	4d. to 5d.	4d. to 5d.	4d. to 6d.	4d. to 5d.	3d. to 5d.	4d. to 5d.
Raisins..... ,,	4d. to 6d.	4d. to 6d.	4d. to 6d.	4d. to 6d.	4d. to 6d.	4d. to 6d.	4d. to 6d.	4d. to 5½d.	4d. to 6d.	5d. to 7d.
Butter..... ,,	9d.	1/4 to 1/10	1/- to 1/6	1/2 to 1/8	1/4 to 1/6	1/4 to 1/8	1/8	1/3 to 1/10	1/2 to 1/8	1/4 to 1/8
Cheshire Cheese ,,	9d.	10d. to 1/-	10d. to 11d.	9d. to 1/-	10d. to 1/-	10d. to 1/-	1/-	——	10d.	11d.
Derby do. ,,	8d.	——	9d. to 10d.	8d. to 10d.	10d.	10d. to 11d.	10d.	10d.	10d.	10d.
Dutch do. ,,	6d.	8d.	8d. to 9d.	6d. to 8d.	8d.	8d.	9d.	8d.	8d.	8d.
Lard..... ,,	10d.	11d.	1/-	10d.	10d.	10d. to 11d.	10d.	10d.	11d.	11d.
Bacon.....per cwt.	75/- to 81/-	——	74/8 to 102/8	80/- to 94/-	80/- to 90/-	76/- to 82/-	84/- to 112/-	94/-	75/- to 84/-	75/- to 90/-
Eggs.....per 120	7/6	11/6 to 13/-	10s.	7/6	——	10/- to 12/6	12/6	8/-	11/-	12/-

Mr. Porter also gives the prices for the years 1844 to 1847. The price of sugar in 1844, when the duty on foreign sugar was prohibitory, was Raw 6d. to 7d., and Refined 7½d. to 8½d. per lb. Tea was then 5s. to 7s., Coffee 1s. 8d. to 2s. 6d., and Currants and Raisins 5d. to 7d. per lb.

A valuable contribution to the history of prices, in connection with the expenditure of the working classes, is to be found in a paper, contributed in 1841 to the meeting of the British Association, by Mr. William Nield, Mayor of Manchester. The information which he collected appears in the following table with the results of careful enquires, made during the month of January by a friend of the author, who has taken great pains to ascertain the prices now paid by the working classes of Manchester.

RETAIL PRICES IN MANCHESTER.

The years 1836 and 1841 are taken from a paper on the income and expenditure of the Working classes in Manchester, published in the journal of the Statistical Society, vol. iv. The year 1875, from personal enquiry, column 1 represents the results of enquiries at a dozen shops, column 2 is from another trustworthy source; 4s. 3d. is given as the *average* rent.

	1836.	1841.	1875. 1.	1875. 2.
Rent, Cottage Property	5/-	4/-	5/- to 7/-	4/3
Flour, per doz. lbs. ..	1/8, 1/9, 1/10	2/4 to 2/7	2/ to 2/3	1/7 to 2/-
Meat, per lb.	4½d. to 5d.	8d. to 8½d.	10d. to 11d.	10½d. to 11d.
Bacon ,, ...	4½d. to 5d.	7d.	7d. to 10d.	8d. to 9d.
Oatmeal, per peck of 10 lbs.	1/-	1/4	2/-	1/7 to 1/10
Butter, per lb.	9d. to 10d.	1/- to 1/1	1/3 to 1/6	1/3 to 1/6
Milk, per pint	1½d.	1½d.	2d.	1½d.
Potatoes, per 20 lbs. ..	7d. to 8d.	11d. to 1s.	10d. to 16d.	1/- to 1/3
Tea, per lb.....	6/-	5/-	3/-	2/8 to 4/-
Coffee ,, ...	1/8 to 2/-	2/-	1/4 to 1/8	1/8
Sugar ,, ...	5½d. to 6d.	8d. to 9½d.	3d. to 5d.	2½d. to 5d.
Treacle ,, ...	2½d.	3½d.	2d. to 2½d.	2d. to 3d.
Tobacco, per oz.	2½d.	2½d.	3d.	3d.
Soap, per lb.	5d.	5d.	3d. to 5d.	3d. to 4½d.
Candles, 8 per lb dips	6½d.	6½d.	6d.	5d.
Salt, per 4 lbs.	1d.	1d.	1d.	
Coals, per cwt.	7d.	7d.	1/-	1/1

It will be seen that this table fully corroborates, in its main features, the information obtained in London.

The years 1836 and 1841 were selected by Mr. Nield for the purpose of comparing the wages and expenditure of the working classes of Manchester during periods of activity and stagnation in the cotton manufacture. The gleam of prosperity, which was enjoyed in 1836, soon vanished, and the long period of renewed depression, which commenced in 1837, was unrelieved by any gleam of hope, until the inauguration of the new fiscal policy in 1842.

The true state of the case, with respect to the comparative prices of articles of food, during the last thirty years, appears to be that there has been a reduction in the prices of wheat, bread, rice, tea, sugar, and coffee, and that the great increase has taken place in beef, mutton, butter, and cheese. At the same time, the supply of animal food has been largely supplemented by the importation of preserved meats, which afford very wholesome nourishment at a moderate price. The vast importations of food which now take place, year by year, speak, moreover, of a large accession of general prosperity; and it cannot be doubted that the condition of the working classes has much improved in recent years. A rise of prices in one direction has been attended by a reduction in another; and the money rate of wages, though in some instances stationary, has, upon the whole, considerably advanced. It is true that in the metropolis there has been a large addition to the rent of dwellings occupied by the poorer classes, owing, probably, in some degree, to the increase of local taxation. The heavy pressure of the rates upon the poorer London parishes is one of the consequences of that separation

of classes which is a feature of modern society, that has caused certain localities to be appropriated by the wealthy, while others are exclusively inhabited by the poor. This is a phenomenon of recent civilization which deserves the early attention of the Legislature, with a view to an equitable re-adjustment of local burdens. The increase of rent paid by the working classes in London is estimated at from twenty to thirty per cent., chiefly owing to the growth of local taxation,* though it has arisen in part from the extensive clearances that have been made, in order to provide accommodation for railways and for the necessities of that growing commerce, which has so largely augmented the wealth of the landowner and the capitalist.

A writer in the *Economist* newspaper, commenting upon Mr. Fawcett's argument that the progress of the working classes has not been in proportion to the increased wealth of the country, contends that this disadvantage is a consequence of their want of frugality. "The capitalists," says the writer, "have saved, and, therefore, have increased wealth; the working classes have not saved, and therefore have not derived an equal advantage." This is a very simple and easy way of putting the case, but it is not, by any means, conclusive. It is very doubtful whether the increased wealth of modern times is mainly owing to increased frugality on the part of the manufacturing and trading classes. Appearances do not countenance the theory. The old frugal merchant who resided at his place of

* Brassey's "Work and Wages," p. 165.

business has disappeared, and although this is no doubt a necessity, the general style of living among the trading classes is, also in other respects, more costly and extravagant than formerly. It is rather to the increased facilities for the employment of capital, that have been created by the removal of restraints upon exchange, than to the frugality of those who are engaged in trade, that we owe the great development of prosperity that has signalised the last twenty years. It is a comparatively easy task to contrast the habits of capitalists and working men, and to allege, without adducing evidence in support of the theory, that the former are thrifty and the latter extravagant, but assertions of this kind do not dispose of the question raised by Professor Fawcett. Neither do they disprove the fact that the working classes have derived much less advantage from recent financial changes than the capitalist, the merchant, the manufacturer, and the landowner.

The extravagance of the working classes is a favourite topic of declamation amongst a certain class of writers, who lose no opportunity of denouncing the conduct, both political and social, of the great mass of their fellow countrymen. If their remonstrances were written with a view of promoting amendment, and in a kindly and charitable spirit, there would be no reason to complain; of this, however, there is not much evidence. It is, moreover, the working classes exclusively who are thus censured. The vices and extravagances of the rich are rarely the subject of comment, while the evil doings of working men are constantly paraded before the public eye. It is no doubt true

that there is much useless, and even pernicious, expenditure on the part of the wage-receiving classes, but this is a fault from which other sections of the community are by no means free. At the same time there is a large and growing number of the working classes who have investments, frequently the result of a degree of self-denial of which other classes have no practical experience, in savings banks, industrial and provident societies, and similar institutions. These various means of accumulation are now assuming dimensions which promise most important results as respects the future condition of the mass of the population.

Among the earliest institutions of the kind were savings banks, the increased capital of which affords evidence of a vast accession of prosperity among the classes by whom they are patronized In 1841 the total capital of these banks was £24,474,689; in 1873 it reached £40,500,135 in banks under the management of trustees, and £21,167,749 in the post-office savings banks, making the total for that year £61,667,884; an increase over the year 1841 of £37,193,195, or nearly 150 per cent. in thirty-two years.

Savings banks are not, moreover, the only, or even the chief, means of investment open to the working classes. Within a very few years the growth of co-operative societies has afforded them the threefold advantage of securing good food at reasonable prices, a safe investment for their capital, and the means of providing libraries and reading rooms, which in some instances rival those of West-end London Clubs.

According to the latest return,* the capital invested in these societies, and the amount received for goods for the year 1873, was as follows :—

	Members	Share Capital	Loans.	Received for Goods
England and Wales...	340,930	£3,334,104	£481,808	£13,651,127
Scotland.....	46,371	235,858	64,932	1,965,226
Total Great Britain...	387,301	£3,569,962	£496,740	£15,616,353

The returns for Ireland are very imperfect, and afford no evidence of material progress having been made in this movement in that portion of the United Kingdom.

The great advance that, during the last two or three years, has taken place in the price of coal has led to the establishment of co-operative societies for the supply of this necessary of life to the consumers of the metropolis. In the table of prices from Manchester, it will be seen that the working classes are now paying a shilling a cwt. for coals, while the price in 1836 and 1841 was only sevenpence. That the advance is quite recent is shewn by the following figures taken from the mining statistics collected by Mr. Hunt, the keeper of mining records, and published in the Statistical Abstract of the United Kingdom :—

Year.	Quantity of coal produced.	Estimated value at the place of production.	Average of Estimated value. per ton.
	Tons.	£	s. d.
1855 ...	61,453,079 ...	16,113,267 ...	5 2
1860 ...	80,042,698 ...	20,010,674 ...	4 11
1865 ...	98,150,587 ...	24,537,646 ...	4 11
1870 ...	110,431,192 ...	27,607,798 ...	5 0
1871 ...	117,352,028 ...	35,205,608 ...	5 11
1872 ...	123,497,316 ...	46,311,143 ...	7 5

* Industrial and Provident (Co-operative Societies), 1873. Parliamentary Paper, No. 363, Session 1874.

The above prices, it must be remembered, include coal of every description, much of which is quite unfitted for domestic consumption. Between the small coal, which in ordinary years is allowed to accumulate on the bank, and the best house coal, there is a very wide range of quality. The prices paid at St. Thomas's Hospital for the following selected years have been kindly supplied by the Steward.

	Per ton.			Per ton.
1850	18s. 5d.	...	1870	18s. 6d.
1855	21s. 6d.	...	1871	19s. 9d.
1860	19s. 0d.	...	1872	21s. 4d.
1865	21s. 2d.	...	1873	29s. 3d.

These prices, moreover, are those paid by a large establishment, which can avail itself of the best markets. In the case of the poor, the recent extraordinary rise in price must have operated with great severity; when coal has been selling at 45s. per ton to consumers who can purchase by the ton, what has been the price paid by the small consumer who has neither the means to purchase that quantity nor the place to put it in if he did? The habit of buying small quantities may be, as Mr. Baxter asserts, a weakness of the working classes, but in this instance, at all events, it is a weakness which is inevitable, but may perhaps be mitigated by the application of the principle of co-operation to the supply of this important commodity.

Building Societies are another favourite form of investment among artizans. In Birmingham the number of working men who are the owners of their own dwellings is very considerable. It is difficult to obtain accurate information of the number and capital

of these societies, owing to the incompleteness of the published returns. In the second report of the Friendly Societies' Commission the total number in England and Wales in 1869 was estimated at 2,000, with 800,000 members. The Building Societies' Protection Association gave the following statistics respecting the 124 Societies connected with that organization :—

Amount to credit of investing members	£4,939,770
Balance due by the Societies on Loans and Deposits ...	3,178,651
Entire Assets	8,696,727
Balance due to the Societies on Mortgage Advances ...	8,222,045
Amount received during the financial year	5,630,365

The report states in respect to these returns, that, as they include most of the important societies, they do not afford a satisfactory basis for an average generally applicable to all. It then adds :

"If, however, as a mere estimate we suppose these 124 societies, forming about one-sixteenth of the total estimated number, to do one-half the business of the country we shall have a group of bodies with a subscribed capital of over £9,000,000, a loan and deposit capital of over £6,000,000, over £17,000,000 total assets, having over £16,000,000 advanced on mortgage, and an income of over £11,000,000."

The above paragraph refers exclusively to England and Wales. The following are the figures given in the same report for Scotland and Ireland.

	Scotland.	Ireland.
Amount to credit of investing members.....	£823,282	£419,984
Balance due by Societies on loans and deposits	474,916	147,139
Balance due to Societies on mortgage advances	1,285,923	644,820
Subscriptions received during the financial year.....	119,493	20,230

It has been alleged that building societies have been materially changed in character, and have become, to a large extent, middle class institutions. This charge was investigated by the Commissioners on Friendly Societies, who record their conviction that these societies do still carry on their dealings with the working class, or with a class but slightly superior in station.

In addition to the three distinctive classes of institutions already referred to—savings banks, co-operative societies, and building societies—there are numerous other organizations for the benefit of working men, originated and conducted by themselves. The great Friendly Societies, such as the Foresters, Odd Fellows, and kindred bodies, have extensive ramifications throughout the whole of the United Kingdom. Most of the trade societies have sick and benefit funds attached to them. Then there are local provident sick and burial societies, all of which encourage thrift among the working classes.

The imperfect nature of the returns laid before Parliament render it impossible to obtain accurate information as to the number of members, or the funds, of these various organizations. Many of them make no return, and others give very few details of their position. An approximate calculation is, therefore, all that can be hoped for. Mr. George Potter, whose position in connection with trade and other working-class movements affords him peculiar facilities for getting at the facts, gave an estimate of their position in a paper on "Provident Societies and Legislative Interference," read at the recent Social Science Congress at Glasgow. With respect to the

class of societies providing against sickness and death, he adopts Sir Stafford Northcote's estimate, which fixes the number of members at about 4,000,000, and the funds under the management of these societies at about £12,000,000 sterling. Under this head he includes the ordinary old burial societies, local sick and burial societies, the large collecting societies, such as the Prudential and the Liver, and the secret orders, including the Odd Fellows, Foresters, Druids, and kindred associations. His estimates of the numbers of members and the funds of the building and co-operative societies do not differ materially from the returns already published in this chapter.

The information which Mr. Potter is able to supply respecting the operations of trade societies is embodied in the following extract from his paper:—

"If we turn our attention for a moment to trades societies, at the very lowest we may state that 1,200,000 members belong to these. Here there are no infant members, and comparatively few women. Taking the whole of these they are rightly described as "men," and in their totality they represent a very large and important section of the British public. Many of the smaller societies confine their attention to what may be called trade purposes exclusively; many add to these small provident benefits in case of sickness and death. The larger societies, however, such as the Amalgamated Engineers with 45,000 members, the Iron Founders, Carpenters and Joiners, and Stonemasons, with about 42,000 members, each have complete organizations extending over the kingdom, in which provision is made for travelling in search of employment, payment when out of work, compensation in case of accident, and superannuation in old age. The coal and ironworkers cannot count fewer in union than 300,000 men, but as these industries are of comparatively recent development, their unions are as yet not so complete in their arrangements as in a short time they are certain to become. Still, even in these trades wonderful progress has been

made in adding provident to trades benefits. Sickness and death, and accident are provided for in most of them, and in some, superannuation is added, as well as provision for widows and orphans. Time is alone needed to make all this a vast net-work of provident arrangement, by which most of the worst evils of the working man's situation will be met and overcome. It is sometimes insisted on that the benefits held out by the trades societies to their members can only be continued for a time Actuaries have proved this. In this matter, however, the calculations of the actuaries have not turned out to be correct. The great trades associations have always met their obligations to their members, and with the power of levy which they possess, they are not likely to fail in this in the future. They know their own business, and they do it very well in their own way, with less internal disagreement, and less chance of shipwreck through fraud, bad faith, or bad business tact than any other set of societies in the kingdom, whatever their object or by whomsoever worked."

It is evident from the facts already adduced that there has been in recent years a very noteworthy development of societies having for their object the encouragement of provident habits among the working classes, and it is a gratifying circumstance that the most successful and beneficial of these societies, those connected with the co-operative movement, have been organised and managed by working men themselves. The remarkable growth of such associations during recent years is, as Mr. Potter points out in his paper, a proof of the social advancement of the great body of the population. The bulk of the provident institutions now existing are a new growth, and their simple existence settles the question as to the improved habits and circumstances of the working classes.

There can, indeed, be no question that artizans and workpeople generally have benefited in many ways

from the modern extension of trade and manufactures. A mere comparison of the rate of wages at different times does not show the full advantage that has been conferred upon them. Employment has been more certain and continuous. The extension of markets for the produce of our industry has prevented the constant recurrence of long periods of depression, such as were not unfrequent during the era of restricted commerce. The hours of labour have been materially reduced, so that more time is afforded for moral and intellectual culture. Working men's clubs, free libraries, and reading rooms, are now supplying the means of rational amusement and of advancement in learning. Abundant evidence as to these facts have been collected from authentic sources by Messrs. J. M. Ludlow and Lloyd Jones, and is published in a small volume, which those who are interested in the condition of our working population will do well to study.*

It is to be deplored that, along with so much that is encouraging a large substratum of pauperism still exists, upon which it seems very difficult to make any serious impression. That the sum of £8,000,000 should be expended in the relief of pauperism in England and Wales alone in one year, and that it has been possible in any recent year for upwards of 1,000,000 persons to have received relief upon a single day, cannot be regarded with satisfaction. It has, however, been proved that this has resulted to a considerable extent from a congestion of labour, and

* "The Progress of the Working Class, 1832—1867." Alex. Strahan, London, 1867.

that while in some parts of the kingdom there has been lack of employment, in others there has been a dearth of workmen. In some cases it is also to be feared that increased wages have led to increased extravagance, and that large earnings have been squandered in an unprofitable and demoralizing manner. It is true that this is not a phenomenon peculiar to any one class, but it is none the less deplorable, and is the cause of a very large proportion of the pauperism which disgraces our large cities and towns. That the evil is not increasing is shown by the fact that in 1871, the highest recent year, the increase of pauperism over the year 1849 was only 15 per cent., while the increase of population was 29 per cent.; on the 1st of January, 1874, the total number receiving relief was less by 105,138 than on the same day of the year 1849. The following are the returns for the three years :—

ENGLAND AND WALES.

Years.	Population estimated at middle of the Year.	Total Number of Paupers receiving Relief on the 1st January.*	Number per head of Population.
1849	17,564,656	934,419	1 in 18
1871	22,760,359	1,081,926	1 in 20
1873	23,356,414	890,372	1 in 26
1874	23,648,609	829,281	1 in 28

It is frequently assumed that pauperism is increasing, because we now expend a considerably larger sum in the relief of the poor than was formerly the

* The number receiving relief on a given day was not ascertained till the year 1849.

case. The growth of expenditure, however, arises from other causes. In addition to the advance of prices, that must necessarily have increased the amount of charges defrayed out of the poor rates, there has been, in recent years, a revolt against the previous administration of the poor law. Philanthropy has successfully impressed upon the legislature the necessity of providing a greater degree of comfort for the sick and aged poor, and this circumstance has entailed additional expense, although the number of persons in receipt of relief has diminished.

The distinction between the growth of expenditure and the growth of pauperism was overlooked by Sir Stafford Northcote in his financial statement of 1874, when, after comparing the average expenditure per head of the population for the ten years ending Lady-day, 1843, with that of the ten years ending Lady-day, 1873, and finding that the average of the former was 6s. 1¼d., and of the latter, 6s. 4½d. per head, he arrived at the conclusion that the number of persons who had applied for relief had not diminished. It is unfortunate that no record of the mean number at one time in receipt of relief exists for any year earlier than the one ending Lady-day, 1849; since then a return has been regularly compiled, and the result is published in the third report of the Local Government Board. For the years ending Lady-day 1849 and 1850, the numbers were 1,088,659 and 1,008,700. During the next twelve years, ending Lady-day 1862, the highest number was 941,315 in 1851, and the lowest 844,633 in 1860. Then came the cotton famine, and the numbers of 1863 and 1864 rose to 1,079,382 and 1,014,978. In

the two following years the numbers were 951,899 and 916,152. Then followed the panic of 1866, which led to the collapse of many undertakings, and threw large numbers out of employment. Its effects extended over several years, and are seen in the increased numbers of applicants for relief. For the year ending Lady-day 1867, the number was 931,546; 1868, 992,646; 1869, 1,018,140; 1870, 1,032,800; 1871, 1,037,360. Then a reduction commenced, the numbers being for 1872, 977,200; and for 1873, 883,688. Compared, however, with population, there is a considerable diminution of this great evil; the same return shows that for the year ending Lady-day 1849, the ratio per cent. of paupers relieved on the population was 6·2. During the three following years it was respectively 5·7, 5·3, and 5·0 per cent. During the following ten years, ending Lady-day 1862, the highest were 4·8 in 1853, 1855, and 1856, and the lowest, 4·3 per cent., in 1860. In 1863, the year of the cotton famine, the rate was 5·3 per cent. Since that period the rate has been 4·9 in 1864; 4·6 in 1865, 1868, and 1871; 4·4 in 1867; 4·7 in 1869 and 1870; 4·2 in 1872; and 3·8 in 1873. It is clear that relatively to population, pauperism has considerably diminished since 1849. From the returns published prior to that year, Mr. Pashley, Q.C., who has paid considerable attention to this question, estimates that, on the average of the ten years, 1841-1850, the number of paupers always receiving relief during that period, was 1,000,000.*

* Pauperism and Poor Laws. Longman & Co., 1852.

In considering the question of pauperism, the fact should not be overlooked that a considerable proportion of the amount expended in poor-law relief is a direct and natural consequence of the miserable wages paid to agricultural labourers. So long as the remuneration of labour in the rural districts is insufficient to provide an adequate supply of the bare necessaries of existence, it is hopeless to expect any diminution in the numbers of those who apply for parochial relief. According to the opinion expressed by the Chancellor of the Exchequer, in his financial statement for 1874, the remedies for pauperism are an improvement in the dwellings of the people, in their sanitary arrangements, in their education, and in the encouragements offered to the adoption of habits of temperance and frugality. There can be no doubt that these are objects which it is most desirable to promote, but it is difficult to see in what way they can be attained without that necessary preliminary, an improvement in their wages. It is no doubt the case that landowners are able to provide dwellings for their labourers, if so disposed, which shall equal in comfort and in sanitary arrangements the stables which they provide for their horses, and the kennels in which they keep their hounds. It is, however, indispensable that there should be the means of saving, in order to encourage habits of frugality ; to speak of saving to a man whose wages are insufficient to provide the decencies of life is a mockery. The labour question in agricultural districts opens up for consideration subjects of far wider range than are indicated in Sir Stafford Northcote's observations. The present un-

satisfactory condition of the agricultural labourer is the product of the existing system of land tenure, which gives no legal security for capital invested in the cultivation of the soil, and appears to regard the political influence of the landowner, rather than the welfare of the people. A complete reform of the whole system is indispensable in order to remedy a condition of affairs which, so far as the agricultural labourers of large districts are concerned, is a serious blot upon our civilization, and a reproach to our professions of Christianity.

Although the present condition of the agricultural labourer is eminently unsatisfactory, there can be no question that it was frequently far worse when the agricultural interest was in the enjoyment of protective duties. In 1841 the following statement was made by Mr. Milner Gibson in the House of Commons :—*

"The wages of agricultural labourers in Devonshire, Wiltshire, and Buckinghamshire, were 6s., 7s., 8s., and 9s. a week. In Suffolk and Norfolk they were a little more, but in consequence of the high price of bread, after they had purchased their food they had scarcely anything left for rent, clothing, and the education of their children."

According to returns in the Miscellaneous Statistics, the rate of wages in Devonshire and Wiltshire in 1869 and 1870 varied from 8s. 6d. to 12s. In 1841, moreover, the average price of wheat was 64*s.* 4*d.* per quarter, while in 1869 and 1870 it was 48*s.* 2*d.* and 46*s.* 10*d.* respectively; there has also been a large reduction in the prices of tea, sugar, rice, and other

* Hansard, Sept. 24, 1841.

articles of food which form the staple of the consumption of the labouring population. The statistics collected by Mr. Caird in 1850-1851 * show that the money rate of wages was then much lower than it has been at any subsequent period. It is true that in those years the value of wheat was exceptionally low, but there had not at that time been any material reduction in the price of other articles of consumption. The great remission of duties on articles of food took place subsequently. In 1840, Mr. Briscoe, then member for Westbury, stated that in the agricultural districts there was a greater portion of distress than in the towns, and that, to his personal knowledge, there were large masses of the agricultural population living on potatoes. The want of employment in the manufacturing districts was not without its effect upon the wages paid in agriculture. The usual stream of migration to the towns was stopped for several years, and a redundant population was, in consequence, thrown upon the agricultural labour market. A well known authority says respecting the year 1844 :†—

"In the condition of the people, notwithstanding a degree of improvement in the mass which made itself palpable through every medium of observation and enquiry available to the public, there was still, even at the close of 1844, a melancholy and painful exception presented by the state of the labourers in the agricultural districts."

This condition of severe depression in the agricultural districts continued to prevail until the beginning of

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* See "Fiscal Legislation 1842-1845," pp. 163, 164.

† "Tooke's History of Prices." Longmans, 1848.

the year 1845, when a large demand arose for labour in connection with the construction of the numerous new railways, which were the product of the speculation of that year. It appears to be a rule of progress that the agricultural labourers shall be the last to participate in the increased prosperity of the country; it may therefore be hoped that the prominence now given to the claims of this hitherto patient and long suffering class may result in the adoption of measures that will secure a permanent amelioration of their condition.

CHAPTER XV.

THE INCIDENCE OF TAXATION.

The inquiry upon which the reader is now invited to enter is one of the greatest importance in connection with the subject of taxation; it is also one respecting which there has been a considerable amount of misapprehension. It is assumed by many writers and speakers upon the question, that the tendency of recent legislation has been to relieve the working classes at the expense of the owners of landed, trading, and professional incomes. It has been already demonstrated that this is a great delusion even as respects actual remissions of taxation, the relief obtained by this means having been largely appropriated by the middle and upper classes. That this must have been the case is obvious, when it is considered that the remissions of indirect taxation, the only means of affording relief to the working classes, have taken effect in respect to taxes which have pressed upon every section of the community. It has also been shewn that the economic effects of modern finance, in promoting the growth of wealth and the increase of trade, have been of more permanent value to the landowner and the capitalist than to the working man.

The question is one that can only be settled by facts, and to these the opponents of the illusion referred to can appeal with confidence. That the upper and middle classes were amply compensated by

remissions of indirect taxation for the direct burdens imposed upon them, between the years 1842 and 1865, has been abundantly demonstrated, while their consequent gains in the augmented value of their property and the increased profits of trade were truly remarkable.* Since that period the remissions effected by Mr. Lowe, although designed to fall with equality upon all classes, have resulted in a relief of £6,600,000 of taxation paid by the upper and middle classes, and £5,700,000 borne by them in common with the working classes.† The result, moreover, of the repeal of customs duties, that has taken place since 1841, has been to leave the bulk of the taxation from that source exactly where it was, upon the consumers of five great staple articles of daily use.‡ The luxuries of the wealthy have, with two exceptions, been entirely freed from taxation, but a heavy additional burden has been levied, in the shape of Excise duties, upon the luxuries which are mainly consumed by the working classes.

It is sometimes said, in reply to objections to the present incidence of taxation, that there is no real ground for complaint, because every article of necessity is now admitted duty free, and taxation is only placed upon luxuries, which the people can do very well without. This fact does not, however, touch the real question at issue, which is, not the mode in which our taxes are levied, but whether, in actual practice, the poor pay more in proportion than the rich. It is,

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* See Ante, pp. 10-16. † See Ante, pp. 159-161. ‡ See Ante, pp. 178-182.

moreover, in some cases, very difficult to decide whether an article is a necessary or a luxury; upon this point different people will arrive at very different conclusions. The question may also be asked, If the luxuries of the poor are to be taxed, why not those of the rich? The virtue which aims at restraining either luxury or vice by a process which relieves the rich from taxation which they ought to bear, is very questionable. It is a procedure which has, at all events, the appearance of selfishness, and it is very doubtful whether the moral object is attained, for the sake of which such a method of taxation can alone be justified.

The only sound basis upon which a calculation as to the incidence of taxation can be framed is to take the actual payments, irrespective of the question to which reference has just been made, and from those payments to endeavour to ascertain the facts. The following analysis of taxation for the year 1872-3, the latest for which the details are published, has been framed in accordance with this principle.*

1.—TAXES ON REAL PROPERTY.	£
Income Tax Schedule A[1]	2,539,976
Half Establishment Licences, viz., Servants, Carriages, Horses, and Armorial bearings[2]	643,470
Half Dog, Game, and Gun Licenses[3] ...	267,403
Half Race Horse Duty[3]	4,360
Half Stamps on Deeds and other Intruments[4]	977,644
Succession Duty[6]	826,548
Proportion of Marriage Licences[4] say ...	1,000
Land Tax[5]	1,095,946
Proportion of House Tax[5]	250,000
	6,606,352

* The following are the sources from which the figures are taken. 1. Sixteenth Inland Revenue Report, p. 34. 2. Ibid, App. p., X. 3. Ibid. App. p. IX. 4. Ibid. p. 29. 5. Ibid. p. 31. 6. Ibid. App. p. XIII. 7. Ibid. App. p. IX. 8. Statistical Abstract, 20th number, p. 9. 9. Ibid. p. 7.

2.—TAXES ON PERSONAL PROPERTY.

	£
Income Tax, Schedule C[1]	712,123
Probate Duty[4]	1,943,306
Legacy Duty[6]	2,346,514
	5,001,943

3.—TAXES ON AGRICULTURE, TRADES, AND PROFESSIONS.

	£
Income Tax Schedule B[1]	329,581
„ „ „ D[1]	3,369,745
„ „ „ E[1]	452,312
Railway Duty[3]	501,179
Half Establishment Licenses[3]	643,469
Half Dog, Game, and Gun do.[3]	267,407
Trade Licenses[3]	2,078,150
Half Race Horses[3]	4,860
Half Deeds and other Instruments[4] ...	977,644
Bills of Exchange and Promissory Notes[4] ...	958,509
Bankers' Notes[4]	1,656
Composition for do. and Bills[4]	141,945
Receipts, Drafts, and other Penny Revenue Stamps[4]	694,604
Fire Insurance arrears[4]	43
Marine Insurance[4]	119,159
Attorneys', Conveyancers', and Bankers' Licenses[4]	129,779
Marriage Licenses[4]	3,920
Patents for Inventions[4]	138,649
Inhabited House Duty[5]	993,083
	£11,805,194

4.—TAXES ON CONSUMPTION.

Excise:	£
Spirits[7]	14,212,783
Malt[7]	7,758,974
Sugar, home made[7]	13,041
„ used in brewing[7]	156,409
Chicory[7]	5,567
Patent Medicines[4]	91,556
Playing Cards[4]	12 865
Gold and Silver Plate[4]	67,442
Customs Duties[8]	20,976,236
	£43,294,873

5.—OTHER SOURCES OF REVENUE.

Law Court Fees[4]	£560,404
Post Office[9]	4,820,000
Telegraph Service[9]	1,015,000
Crown Lands[9]	375,000
Miscellaneous Receipts[9]	3,796,770
	£10,567,174

In the foregoing tables it is assumed that one-half the establishment licenses (substituted for the old assessed taxes), one-half the duties on dogs, game licenses, guns, and racehorses, one-half the stamps on deeds and other instruments, and about one-fifth the marriage licences are paid by the landed interest, and the remainder by traders and professional men. There are no means of ascertaining the exact amount belonging to each of these classes, but in this apportionment it is not believed that any injustice is done to the landowners. The gross amount assessed to the inhabited house duty, for the year ending 5th April, 1872, was, for shops or warehouses, £229,419; beer-houses, £89,270; farm-houses, £18,170; dwelling-houses, £1,046,001.* It is the latter sum only that affects landowners, and one-fourth of the amount has been estimated as their share of this duty, or, in round numbers, £250,000. The general result is as follows:

Taxes on Real Property	£6,606,352
Taxes on Personal Property	5,001,943
Taxes on Trades and Professions	11,805,194
Taxes on Consumption	43,294,873
Other sources of Revenue	10,567,174
	£77,275,536†

* Sixteenth Inland Revenue Report, p. 33.

† This sum is £666,766 in excess of the revenue for the year, as stated in the statistical abstract, 20th number; the difference arises from the necessity of taking, in some instances, the gross revenue instead of the net receipt. The legacy and succession duties are a case in point. In the statement of net receipts they are not distinguished; it is only in the assessment for the year that they are given separately.

If the argument, so frequently employed respecting the taxation of the working classes, that it is all voluntary, is applied to that of owners of real property, it will be seen that the burden placed upon them is very light, and may accurately be described, in the classic language of Mr. Disraeli, as a "fleabite." The upper classes can dispense with the use of spirits, malt, wine, tea, sugar, coffee, tobacco, and other articles subject to taxation, quite as well as those who live by manual labour. If these taxes are left out of consideration the amount paid by owners of real property is, at the outside, £6,600,000 upon an income assessed to schedule A of £150,000,000, or at the rate of four per cent. If the value of their income is capitalized at twenty years' purchase, as a fair average between land and houses, it will be seen that they enjoy the protection of the State, for a property worth three thousand millions sterling, for the small yearly payment of £6,600,000, or ·22 per cent., being less than one quarter per cent. on its value. It is true they pay probate and legacy duty upon their non-productive personal estate, and that these duties are also paid upon leaseholds and property devised for sale; but, on the other hand, their income from royalties for minerals and similar sources of profit is not included in the above estimate, and the one item may be fairly assumed to balance the other.

If the taxation levied upon trades and professions is investigated upon the same basis, it will be seen that they bear a far heavier burden than real property. Assuming that the farmers pay, in addition to income tax, under Schedule B, the following portion of the

taxes enumerated in Table 3: Establishment licenses, £100,000; half dog, game, and gun licenses. £133,703; inhabited house duty (the amount actually assessed upon farm-houses in 1872), £18,000; stamps, £100,000—there will remain £11,223,910 paid by trades and professions. In round numbers, the amount may be taken at £11,000,000, or 5·82 per cent. upon the income assessed under Schedule D, amounting to £189,000,000. If the capital value of railways, canals, and gas-works is taken at Mr. Dudley Baxter's estimate of twenty-five years' purchase (although its accuracy may be questioned, and it is probably in excess of the real value), and the remaining income from this schedule at five years' purchase, making a total of £1,450,000,000, the taxation upon its capitalized value will be found to be ·75 per cent. This, moreover, does not include probate and legacy duties that may be assessed upon stock-in-trade.

The same class of taxation upon farmers, assuming that the whole amount of Table 3, not appropriated to Trades and Professions, or £800,000, is paid by them, is only 2.96 per cent. upon their assumed profits estimated according to the provisions of the Income Tax Acts at one-half for England and one-third for Scotland and Ireland on the £59,000,000 assessed under Schedule B, and amounting to £27,000,000; or upon the capitalized value, at five years' purchase, of £135,000,000, it is ·59 per cent.

It appears, therefore, that, excluding Probate and Legacy duties, which it is an impossibility to apportion between incomes from land, trade, and personal property, and taxes upon consumption, the respective

taxation of Real Estate, Trades and Professions, and Agriculture, is as follows:—

	On Income. per cent.	On Capitalized Value. per cent.
Real Estate	4 ...	... ... ·22
Trades and Professions	5·82 ...	... ... ·75
Agriculture	2·96 ...	... ... ·59

In estimating the incidence of taxation on real property, allowance should be made for such portions as were originally, or have become, a rent charge, and hence are not fairly to be classed as a burden upon the landowner. The land tax, for example, is the miserably inadequate substitute for the old feudal tenures, and the solitary representative in our fiscal system of the principle that the absolute ownership of the soil belongs to the community, the tax levied upon modern landowners being rent equally with that which they receive from their tenants. By the great Act of spoliation, perpetrated in the reign of Charles the Second, and since upheld by class parliaments, the property of the State in the soil of the country has been reduced to an insignificant fragment compared with the amount which it ought to produce. That which remains, however, is still the property of the State, and may fairly be excluded from consideration in estimating the pressure of taxation on landowners. It never belonged to them, and is really a reserved rent in favour of the community. Establishment licences, moreover, are taxes upon consumption, and cannot reasonably be complained of by the wealthy, so long as heavy taxation is levied upon the luxuries of the poor. When allowance is made for these items,

it will be seen that the pressure of taxation upon owners of property is very materially reduced from the above estimate. The per centage of taxation ultimately resting upon trading incomes is also somewhat modified by the fact that traders recover some portion of the taxes they pay from their customers. The bulk of the imposts, however, which are included in the above table, under the description of taxes on agriculture, trades, and professions, are small in amount, and in these days of competition, very difficult, if not impossible, of recovery from the consumer. In the main they may be fairly taken to rest upon the shoulders of those by whom they are paid.

The inequality of taxation as affecting real and personal property is further shown in the Probate, Legacy, and Succession duties. The sum of two millions estimated by Mr. Gladstone as the produce of the last-named tax, when he imposed it in 1853, is yet a long way off realization. The latest return shows £826,548, while personalty paid in the same year for Probate and Legacy duties, from the former of which real property is exempt, £4,289,820. There is no doubt that the Succession duty is largely evaded by means of settlements and gifts, and this aggravates the inherent injustice of its assessment upon the life interest of the recipient, while Personalty pays upon its full value. Every effort appears to be made by the revenue authorities to conceal the truth respecting this tax; it is usually returned in parliamentary documents along with the Legacy duty in a lump sum; even in the Inland Revenue reports, which profess to give the amount of property upon which duty was paid, the

full value of property liable to the Succession duty is not stated, but only the amount at which it has been assessed for duty. It is impossible to imagine a more flagrant case of injustice than the incidence of these taxes,* and it would seem, from the mystification that is practised respecting them, and the care that is taken to prevent the truth from being known, as if a studied effort were made to deceive the community as to their real character. It is a monstrous anomaly that the transmitted estates of the landed proprietor, which during his lifetime have been largely increased in value by the industry of the community, should pay Succession duty at a lower rate than the hardly earned savings of the trader or professional man; it is an aggravation of that anomaly that landed property should be exempt from the Probate duty, which is levied from personal estate.

It is quite evident, so far as taxation has been hitherto examined, that it presses unduly upon trading and professional incomes as compared with those derived from real property. It now remains to ascertain, as accurately as possible, the pressure of taxation upon the working classes. Here commences the difficulty of the subject, as there are no authorized statistics which show, even approximately, the comparative pressure of Customs and Excise upon different kinds of income. Widely opposite opinions prevail upon the subject. On the one hand, it is asserted that

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* See "The Queen's Taxes, pp. 91-110. Also "Bright's Speeches," edited by Professor Thorold Rogers. Vol. 2, pp. 404-8.

the working classes are lightly taxed, that temperate men may escape with a trifling contribution towards the public revenue, that existing taxes, as far as they affect working men, are optional or voluntary, and that they have therefore no ground of complaint. On the other hand, it is contended that upon no class does taxation press with such severity, and that this severity is aggravated by the mode in which the taxation imposed upon them is levied.

The gross produce of the Customs and Excise for the year ending 31st March, 1873, was, in round numbers, £43,000,000, but this merely represents the amount received by the Government. The extra cost of these taxes in consequence of the profits charged by traders upon duty advanced, trade charges, bad debts, &c., is at least 25 per cent., or £10,750,000, making the total burden for that year £53,750,000. It is the peculiar feature of taxes on consumption that they necessarily become more onerous where consideration is most required. The poor, who are compelled on account of the smallness of their resources to buy in small quantities, pay much more heavily than the rich, who can buy at first hand. When all the consequences of these imposts are taken into account, it will be found that 50 per cent. upon the amount collected is more accurate than 25 per cent., at all events in the case of the poor; or, in other words, to secure a revenue of £43,000,000, the country pays £64,500,000. This calculation, moreover, takes no account of the influence of such taxes in restraining trade, diminishing employment, and retarding the growth of the national wealth. Whether the moderate estimate of 25 per

cent., or what the author cannot but consider the more accurate one of 50 per cent., is adopted as the extra cost of these taxes, it is clear that the burden thus imposed upon the taxpayer is by no means trifling.*

Upon whom does the chief pressure of these imposts rest? To this question there can be but one reply; by common consent of all who have thoroughly investigated the subject, it is admitted that they press with the heaviest weight upon those who have the smallest means. The late Sir Robert Peel, Mr. Gladstone, and Mr. Lowe, the three ablest financiers of recent times, have been compelled to admit that indirect taxation is unequal in its incidence as against the poor. Mr. Lowe's dictum that, roughly speaking, indirect taxes are paid by the poor, and direct taxes by the rich, is substantially accurate. There is no doubt one particular class, that which is just liable to the income tax and has to pay indirect taxes as well, which is peculiarly affected to its disadvantage; in its case, at all events, the correctness of the statement that our present system is one which favours wealth, is completely established.

According to Mr. Dudley Baxter's estimate,* 23 per cent. of the population belong to the upper and middle classes, and 77 per cent. to the manual labour class. Will any one seriously maintain that the former consume more taxed commodities than the latter, and thus equalise their share of the public burdens? The

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* For the full details of this estimate see "The Queen's Taxes. Chap. xxiv.

* "National Income." Macmillan & Co., 1868, p. 16.

increased demand for articles subject to taxation which has followed the repeal or reduction of Customs duties, is an evidence that the comparative taxation of the working classes has been increased. Notably has this been the case with respect to the recent growth of revenue in the case of spirits and malt, a consequence of the high rate of wages that has prevailed during the last two or three years. There has been an involuntary addition to the taxation of the consumers of such articles, while the lavish and ostentatious expenditure of the rich has taken place mainly upon articles which are free from taxation.

It is alleged, indeed, that the balance is redressed by the fact that land and houses bear the chief burden of local expenditure, but there are several considerations which show that this is not the case. In the first place, notwithstanding Mr. Dudley Baxter's able argument to the contrary,* in which he has said all that is possible in favour of an untenable position, in so far as such taxes affect property and are of long standing, they become rent charges, the property being bought, sold, and inherited subject to these burdens, and valued, whether for sale or succession duty, accordingly. Secondly, a considerable portion of our local taxation is imposed for purposes which render the property available as a source of rent to the owner. For example, highway rates, which enable produce to be brought to market; paving and lighting rates, which render streets in towns and cities inhabi-

* "Local Government and Taxation." London: R. J. Bush, Charing Cross. 1874.

table, and drainage and sewerage rates, which have the same result from a sanitary point of view. If there were an absence of these conveniences, landowners would soon experience a considerable decline of rent. Thirdly, the incidence of local rates does not fall wholly on the owner of the property, but in the case of all additions upon the occupier, and they press with greater severity upon dwellers in small houses than they do upon the more wealthy. Fourthly, of the total local taxation of the United Kingdom above £4,000,000 is raised by tolls, dues, and other indirect taxes which are borne by consumers. If the local taxation of the United Kingdom were to vanish, can it be supposed that the owners of land and houses would be content with their present rents? Would they make any remission in places where they collect the local rates with their rent, or forego any increase where the rates are paid by the tenant? If ratepayers are wise they will insist upon these questions being satisfactorily answered before they consent to any transfer of local burdens to the Consolidated Fund, or to any other adjustment in favour of owners of property.

Addressing a recent deputation upon the question of Local Taxation, in which landowners were conspicuous, Mr. Disraeli is reported to have said:—*

"A system of raising taxation for general purposes from one particular kind of property involves as great a violation of justice as can well be conceived."

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* *The Times*, March 24, 1874.

In this declaration, which appears to have been received with cheers, Mr. Disraeli was true to the principles he formerly advocated as the champion of the defeated protectionists. The statement is, however, a fallacy, and the violation of justice purely imaginary; there can be no injustice in attaching pecuniary conditions to the private ownership of that, which was originally the common property of mankind. On the contrary, such a method of raising a revenue is the least onerous and the most equitable, and has, in practice, been adopted in respect to local taxation. Mr. Disraeli had nothing to say in condemnation of that great violation of justice, which took place when the landowners in the House of Commons, by a majority of two members, relieved themselves from the obligations under which they had for centuries held their estates, and threw the burden of military expenditure upon the people. If their successors of the present day seek to repeat that operation on a smaller scale, by the transfer of local rates, now fairly charged upon real property, to the Consolidated Fund, they will hasten the time when the people will assert their constitutional right to a revision of the Land Tax.*

Every inquiry that has recently been made into the question of the incidence of taxation confirms the belief that, under our present system, the heaviest burden falls upon those who have the smallest incomes. Mr. Dudley Baxter, after expatiating upon

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* See Queen's Taxes. Chap. xvi.

the burdens laid upon the man of fortune and the tradesman, says respecting the taxation of the working classes :—*

"The workman pays only on his cottage and a few articles of consumption, but with the most temperate and careful habits he finds it hard to make both ends meet. He pays on his tea or coffee and sugar † in the morning, on the tea that his wife and children drink at noon, and which he himself takes cold in a bottle to his work; and that they all drink together for their evening meal. He pays on the pipe that he smokes in walking home or by his fireside; and he pays on his occasional glass of spirits and water and his daily glass of beer. The payments for these articles are far heavier on his income than on that of any other class."

This, moreover, is a picture of the incidence of taxation upon workmen of temperate habits; in other cases, the State derives a vast addition to its revenue from a consumption of spirits which it ought to seek to restrain. Mr. Baxter calculated the taxation of the different classes at the time of publishing his work, as follows:—Upper and middle classes, £52,000,000 on an income of £490,000,000, or 10½ per cent.; working classes, £22,600,000 on an income of £325,000,000, or 7 per cent. Including the taxation on intemperate expenditure, he estimated the respective proportions to be, upper and middle classes 11 per cent., working classes 9 per cent.‡ These figures, however, do not include the extra cost of taxes in traders' profits, which he estimates to be 1½ to 2 per cent. on all incomes except the industrial incomes of the middle classes, which he appears to think are not subject

* "The Taxation of the United Kingdom," p. 159.

† Thanks to Mr. Lowe, he does not now pay upon his sugar.

‡ *Ibid* pp. 119-122.

to any such charge. His final conclusion, adding the local rates, extra cost of taxes, but excluding intemperate consumption of beer and spirits, is as follows :—

UPPER AND MIDDLE CLASSES.	
Landed Incomes	17½ per cent.
Personalty Incomes	14 „
Industrial Incomes	8 „
MANUAL LABOUR CLASS.	
Workmen's Earnings... ...	8½ „

Rates are, however, not a deduction from the rent received by the landowner, but rent intercepted on its way to his exchequer ; this fact, which is generally lost sight of by "Local Taxation Reformers," considerably modifies the percentages estimated in the above table. It may be urged that Mr. Baxter's calculations are affected by subsequent remissions of taxation, but it has been already shewn that the chief advantage of these remissions fell to the lot of the more wealthy taxpayers, so that any such modification has been in their favour.

There are several considerations which materially affect this calculation as respects the incidence of taxation on the working classes. In the first place, it does not include the heavy additional burden imposed upon holders of small incomes by the necessity of buying in small quantities. Mr. Baxter alleges, in excuse of the omission, that this addition arises from the habits and weaknesses of consumers, and not from taxation. There can, however, be no question that the habit of purchasing in small quantities is a necessity in the case of owners of small incomes; it is difficult to imagine how a labourer, earning twelve shillings a

week, can lay in a stock of food at wholesale prices, and it is still more difficult to understand how this can be rendered possible by adding indirect taxation to the natural price of a commodity. This additional charge is one of the inevitable accompaniments of duties on commodities, and must be taken into account in an equitable analysis of the pressure of taxation. Then he made no allowance for any traders' profit on the sugar duties, since happily repealed, on the ground that grocers sell the article without profit, thus ignoring the fact that the bulk of the duty was paid by the refiner, who had no other article upon which he could charge any profit upon his outlay for the payment of duty. He also includes, with the consumption of the upper and middle classes, that of their servants, whereas it is really a part of their wages, and more correctly belongs to the taxation of the working classes.

It is very difficult to understand in what way the higher industrial incomes escape traders' profits upon duties advanced, and the assertion appears to be entirely unsupported by evidence. Mr. Baxter also alleges that such incomes escape "the surcharges which attach to realty and personalty," whatever may be the meaning he attaches to the phrase. If he simply means that purely industrial incomes pay a less percentage than incomes from real or personal property, it is a pity he did not say so. The word "surcharges" appears to imply that the incomes surcharged are unfairly taxed. Such, however, is not the case. Owners of industrial incomes don't pay taxes upon property, because they have none, and there is no

doubt they would be quite willing to exchange positions with any holders of property who may think themselves aggrieved by the present incidence of taxation. The calculations in Mr. Baxter's work appear to be carefully framed with a view of proving that oppressive taxation is levied upon real property. He entirely ignores the fact that the capital value of real property is much in excess of that of industrial incomes, and that the general industry of the community is constantly adding to the value of land, without care or anxiety on the part of its owners. His estimates of the rate of taxation on real property are largely in excess of the facts. The grounds which render special taxation upon such property a matter of simple justice towards the rest of the community are denied, and the profits paid by the working classes upon their duties of customs and excise are underestimated.

The pressure of taxation upon the working classes is perhaps exhibited most clearly by ascertaining the amount left for all other purposes, after paying rent, rates, and taxes. This we are able to do from the returns which Mr. Baxter collected and published in his work on Taxation. He gives no example of the pressure of taxation upon other classes of income, the nearest approach being a statement of the indirect taxes paid out of a clear income of £6,000 a-year from land. They amount for a family of twenty-one, including seventeen servants, whose food forms part of their wages, to £69 6s. 8d, or if 25 per cent. is added for profits, £86 13s. 4d. It is difficult to see how the 17½ per cent., which he assumes is the taxation on

such incomes, can be made up; but even if it were, the family would still have £4,950 upon which to live. As the local rates are not paid out of rent received from the landowner, they cannot be taken into account in estimating the percentage of taxation paid out of his income, and it is certain that the total taxation so paid does not approach the percentage estimated by Mr. Baxter.

If, on the other hand, we examine his statistics of working class taxation, we find a very different result.* The amount remaining after payment of rent, rates, and taxes, to provide food, clothing, education, defray other household expenses, and effect savings varies from the fortunate case of the family at Clapham, where the £20 16s. earned by the mother swelled the total to £75 2s. for a family of four persons, down to the three families in Devonshire, in which sixteen persons, by means of the combined efforts of parents and children, secured the total sum of £72 14s. 3d., being £24 4s. 9d. per family, or £4 10s. 10d. per head per year, to provide for the above-named requirements.

It is difficult to understand, in the face of facts like these, how a system of taxation which presses heavily upon such incomes can be defended as equitable, or how efficient work can be expected from labourers who are so wretchedly underpaid. Can it be for one moment asserted that the pressure of taxation upon land is in any sense equal to its pressure in the

* See Appendix, for a summary of his calculation.

three cases adduced of town workmen (5 to 7), in which £10 6s. 3d. is taken out of an income of £62 5s.; £8 3s. 1d. out of £57; £5 0s. 2d. out of £64? It is said that this taxation is voluntary, and so is much of the taxation levied upon landed incomes. The costly town house of the man of fortune, his horses and hounds, his coachman, horses and carriage, his plate, wine, and man servants,* are all voluntary expenditure, and the taxation upon them is as voluntary as that levied upon the beer, spirits, and tobacco which are consumed by the workman. The man of fortune does not now pay upon the insurance of his house, a remission which amounts, in the case of the income of £6,000 a year instanced by Mr. Baxter, to £23 annually, and is an example of the relief which men of wealth have recently derived from remissions of taxation. It is a comparatively easy matter to calculate an average percentage of taxation which has an appearance of equity, but the pressure is disclosed by an examination of single cases. A large aggregate of working class income will be found upon such an examination to be composed of earnings so small that any deduction, however trifling, is an encroachment upon the means of obtaining the necessaries of life. It is a sound principle that so much income as is absolutely necessary to maintain life should be left untouched; beyond that limit commences taxable income. If the twelve cases already examined are tested by this principle, it will be seen that upon their fairly taxable

* Mr. Dudley Baxter's work on "Taxation," pp. 158—159.

income the burden is very much heavier than it is upon that of any other section of the community.

In a recent pamphlet by Professor Leone Levi,* it is estimated that £30,000,000 of Imperial and Local Taxation falls upon the working classes, and £60,000,000 on the middle and upper classes. The total income of the former is estimated at £400,000,000, and of the latter at £500,000,000. Upon the principle that taxation should take into account not solely the comparative means of the contributors, but their comparative wants, and that equality of taxation consists in demanding from all contributors an equal sacrifice of their enjoyments, Professor Levi argues that, in estimating the pressure of taxation, 40 per cent. of working class incomes should be deducted as representing the minimum cost of living, such income upon the above named principle not being properly a subject of taxation. This reduces the taxable income of the working classes from £400,000,000 to £240,000,000, upon which the rates and taxes constitute a burden of 12½ per cent. Upon the income of the middle and upper classes, from which he makes no such deduction, as the taxes levied upon them, far from touching the absolute cost of living, leave a considerable margin for accumulation, the burden is 12 per cent., or rather less than that which falls upon the working classes.

No account is taken by Professor Levi of the extra cost of taxes, on the very extraordinary and inadequate ground that the working classes receive higher wages

* "An estimate of the amount of Taxation falling on the Working Classes." London: Ridgway, 1873.

on that very account. It might be argued with equal plausibility that taxation itself causes a rise in wages, and, therefore, that recipients of wages are untaxed, the whole burden falling upon their employers. In that case, there would be a very simple end to the question of taxation as affecting the working classes.

The answer to this allegation is supplied by the Professor himself. In another part of his pamphlet, speaking of direct and indirect taxation, he says:—

"Indirect taxes are certainly more injurious to the community, as interfering with commerce, manufactures, and exchanges, as restricting the progress of wealth, and as unnecessarily augmenting the cost of food to the labouring classes."

It is impossible for evils like these to be created without affecting wages. Interference with trade, commerce, and manufactures, infallibly restricts the demand for labour, and, as a natural consequence of such restriction, reduces the rate of wages. The greatest depression of British industry existed when taxes were levied upon all articles of consumption. According to the theory now under consideration, the working classes ought to have been recouped the portion of those taxes which fell upon them by extra wages. It is well known, however, that such was not the case; neither is it the case now. Restrictions on trade and industry are less severe than formerly, but they still exist, and are as prejudicial to the interest of every class of the community as in former times, the only question being one of degree. They diminish both the rate and the value of wages, as certainly as they prevent expansion of trade.

The amount of taxes on consumption is estimated

by Professor Levi as follows:—Working Classes, £25,600,000; Middle and Higher Classes, £15,900,000. The traders' profits upon these will be respectively, at 25 per cent., £6,400,000 and £3,975,000, forming an extra charge on working class taxable incomes of 2·66 per cent, and making the total burden 15·16 per cent. Upon the middle and higher class incomes the extra percentage is ·79, and the total taxation 12·79 per cent. Upon the gross estimated income of the working classes, without making any allowance for the purchase of bare necessaries, the burden of taxation is 9·10 per cent.

Another estimate has been made by Professor Stanley Jevons,* which, excluding the intemperate consumption of spirits and tobacco, and allowing for the abolition of the corn duty and the reduction of the sugar duties in 1870, gives the following result:—

PERCENTAGE OF INCOME PAID IN TAXES BY A FAMILY EXPENDING IN THE YEAR.

	£40	£85	£500.
Taxes on Necessaries—Tea, Sugar, Coffee, Fruit	1·0	1·1	0·6
Local Taxes	2·5	2·4	1·9
Income Tax, House, and Legacy Duty	—	—	3·4
Stimulants—Beer, Spirits, Wine, and Tobacco	5·5	4·1	1·8
Total per cent. of Income ...	9·0	7·6	7·7

In this estimate dealers' profits on taxed articles are taken at 20 per cent. This table, it should also be

* "The Match Tax." London: Stanford. 1871.

remembered, does not profess to give the actual amount of taxation, as it excludes the heavy pressure arising from the excessive consumption of intoxicating drinks and tobacco.

The foregoing are the most recent estimates that have been published of the incidence of taxation upon different classes of income. They exhibit a remarkable concurrence of opinion that the heaviest pressure is thrown upon the smallest incomes. If a burden were imposed upon the wealthy, involving a like pressure upon their resources to that which is proved to exist in the case of the poor, the yearly surplus available for the reduction of the National Debt would be magnificent. In considering these estimates, moreover, allowance should be made for that portion of Imperial and local taxation on property which has become a permanent charge upon the property and has ceased to be a burden upon its owners. A recent writer, by no means favourable to the further repeal of any duties of Customs and Excise, has observed in respect to such taxes—*

"It is material to enquire into the duration of the burden, for charges which have for a long series of years been taken into account in contracts and purchases involve no injustice to the actual taxpayer."

This principle is, no doubt, rank heresy in the opinion of those who hold that landowners bear the heaviest burden, but it is nevertheless perfectly sound and materially affects the conclusions arrived at by

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* *Saturday Review*, March 28, 1874.

many writers on this question, with respect to the incidence of taxation upon landed incomes.

An able article upon Imperial and local taxation as affecting the working classes has recently appeared from the pen of Professor T. E. Cliffe Leslie.* His conclusions place a far heavier pressure upon the working classes than any of the estimates already quoted. He shows that they participate in the burden of many taxes supposed to affect exclusively the upper and middle classes. Numbers of working men have become owners of their own houses and frequently pay succession duty. Sometimes they have to pay probate and legacy duty. The house-tax sometimes falls on skilled workmen of the highest class, and is frequently paid by poorer workmen either as lodgers or letters of lodgings. Stamps on receipts, bills, &c., railway duty, dog-tax, and wine duties also fall upon them in some cases, the last named in times of sickness. He also contends that a considerable portion of the increase in rates has fallen upon them in the shape of higher prices of such farming products as are not affected by foreign competition. His enquiries into the incidence of local rates lead him to the opinion, in which he differs materially from Mr. Baxter, that the bulk of them, so far as working class houses are concerned, fall either directly or indirectly in rent upon the tenants. His general conclusion upon the whole subject is summed up in the following words:—

"As in the case of Imperial, so in the case of local taxation, I

* *Fortnightly Review*, Feb., 1874.

make no pretence to offer an exact estimate of the relative burdens imposed on the working and other classes. But the candid reader who has followed the investigation which my limits have narrowly circumscribed, must, I think, be convinced that, on the one hand, Imperial taxation falls with enormously disproportionate weight on the working classes; and, on the other hand, local taxation, in place of redressing, greatly aggravates the inequality."

The article is well deserving of careful perusal by all who are interested in this subject, and, although in some points it may be open to question, there cannot be a doubt that it affords conclusive evidence that the taxation now levied upon the working classes and upon clerks and smaller traders is far more onerous than that which is paid by the wealthy, whether engaged in commerce, or owners of real property.

An admirable illustration of the loose and inaccurate way in which both words and figures are used in reference to taxation, is to be found in a recent work by Mr. W. R. Greg,* an old opponent of the principle of direct taxation. He gives a table professing to show the proportion of each tax that was paid in 1868-9 by the "Propertied Classes" and "Wage-Classes" respectively, which even a cursory examination shows to be entirely untrustworthy. In the first place, his classification is defective and misleading; it is a flagrant and transparent error to describe all, who are not in receipt of weekly wages, as belonging to the "propertied classes;" many of them are compelled to maintain a constant struggle for existence, at the end

* "Political Problems for our Age and Country." Trubner & Co. 1870. pp. 308-309.

of the year they barely make both ends meet, and are less entitled to rank among the propertied classes than many prudent and saving mechanics, and have fewer opportunities of saving money. Such a use of the word "propertied" is eminently calculated to mislead.

This, however, is not Mr. Greg's most serious error. His calculation is as defective as his classification. He makes the total for the year £83,530,000, of which £20,000,000, or nearly one-fourth, is local taxation. The whole of this sum he appropriates to the "propertied classes." In his opinion working men pay no rates, although it is evident to every one else that they do, and, under the modern system of compounding, the landlord is enabled to make a profit out of his tenant, if so disposed, upon the rates which he advances and collects with the rent. The presence of so important an error vitiates the whole calculation, and renders it worthless. There are other smaller errors, into which it is not necessary to enter, as upon two main points he is proved to be radically unsound.

The conclusion which he draws from this amusing attempt to classify taxation is, that the "propertied" classes pay 14 per cent. of their income, while the "wage," or, as he calls them, the "proletaire"* classes, pay 9 per cent. In this calculation, however, in addition to the error about local taxation, he takes no account of the increased cost of indirect taxes, consequent upon the profits charged by traders. In fact,

* It was surely unnecessary to cross the Channel for a word to describe our working classes, especially so for a word used as an expression of contempt.

he denies its existence, excepting to an "infinitesimal amount." He takes no account of the individual incomes of the "propertied" and "working" classes. According to his figures 7,000,000 of the former have an aggregate income of £400,000,000, while 23,000,000 of the latter have one of £300,000,000. Taking the average of five per family, this gives the former an average income of £285 per family, and the latter one of £65 per family. He makes no allowance for that portion of the rates and taxes which have become rent charges upon property; he places he spontaneous growth of rent, which results from the general industry of the community, upon the same footing as the precarious gains of labour; and he ignores the great distinction between permanent and precarious incomes, which ought never to be lost sight of in considering the question of taxation.

Looking at all these facts, it is impossible to accept his conclusion that "*taxation is now so equitably divided among the rich and the poor, that the former pay more than* six *times as much as the latter in proportion to their numbers, and nearly half as much again in proportion to their means*," although he lays peculiar emphasis upon it by printing it in italics. There are many contributors to Income Tax, who also pay local rates, that cannot properly be classified among "the rich," and in this respect he adds another fallacy to those already exposed. It is quite evident that, upon many grounds, W. R. Greg is not an exact authority upon the incidence of taxation.

The pressure of indirect taxes is, moreover, greatly aggravated in the case of the working classes by their

effect in diminishing trade and employment. It is true that this is a feature of these imposts which affects all classes; but in the case of the wealthy they merely prevent the increase of their wealth, while in the case of the poor they limit employment, reduce wages, and tend to prevent the possibility of accumulation. Mr. Dudley Baxter* makes light of this argument, and assumes that the increased importation of tea, coffee, and sugar, if admitted free of duty, would not amount to more than 33 per cent., or £7,500,000, or at the most, 50 per cent., or £11,500,000, and speaks of this as insignificant compared with the total value of our imports. His figures, however, which are for the year 1867, need correction. He states the imports of tea, coffee, and sugar as follows:—Tea, under £9,000,000; coffee, about £1,000,000; sugar, about £13,000,000. The correct figures are—Tea, above £10,000,000; coffee, above £4,360,000; sugar, above £13,000,000. He has fallen into the error of taking consumption for importation, but the contrast forms an admirable illustration of the fallacy of his theory. In the case of tea and coffee, where the duties are simple and offer the *minimum* of hindrance, we have a considerable and growing export trade. In the case of sugar, where the duties, since repealed, were complex, and had to be paid by the refiner before manipulating the raw article, there was no export trade. In fact it was rendered impossible, unless stimulated by a bounty.

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* "The Taxation of the United Kingdom," pp. 150-151.

With perfect free trade in sugar it may be expected that this branch of industry will be invigorated and revived. From our position and maritime facilities, this country ought to be the market of Europe for tea, coffee, and sugar.

The effect of these duties in checking consumption is also under-estimated. The increase of 33 per cent., assumed by Mr. Baxter as the probable result of their repeal, has already been exceeded, mainly in consequence of reductions of the sugar duty. In 1867 the total value of our imports of tea, coffee, and sugar was £27,500,000; in 1873 it reached £39,700,000, an increase of £12,200,000, or 44 per cent., of which £8,000,000, or 65 per cent. of the whole increase, took place in sugar. It is, indeed, impossible to predict the extent to which demand will be stimulated in the case of articles relieved entirely from taxation. New uses are frequently discovered for commodities which can be had at their natural market price, and fresh industries arise which largely stimulate their consumption. It has been abundantly demonstrated, by the accumulated results of the past, that the entire repeal of a duty is far more beneficial in promoting both consumption and trade, than its mere reduction.* There can be no question that the growth of our exports of foreign and colonial produce from £21,000,000 in 1855 to £55,800,000 in 1873 is largely to be attributed to the policy of perfect freedom of trade, which has been applied to so many articles.

* See "Fiscal Legislation, 1842-1865," pp. 95, 96, for an illustration of this fact.

The benefits that have resulted from this policy have not been confined to a mere increase in imports for our own consumption, but have involved a considerable addition to our export trade, as this country has become a large market for many foreign and colonial productions. With the goods thus re-exported we have purchased fresh imports, and the extended commerce, thus opened up with so many countries, cannot fail to be productive of advantage in every department of trade and industry.

The more fully the facts of the case are examined, the more completely will it be seen that the existing system of taxation is one which presses unduly upon workmen, clerks, and small traders. It operates to their disadvantage in two ways: first, by exacting an undue proportion of their small earnings and precarious incomes; secondly, by reducing wages and limiting the sources of employment. It has been seen, in the course of our enquiry, that remissions of taxation during recent years have been largely in favour of the wealthy, both as regards the taxation remitted and the advantages that have resulted from the adoption of a more enlightened financial policy. Taxes upon luxuries are now mainly levied upon articles which are consumed by the poor; while the bulk of those which afford gratification to the rich have been entirely relieved from duty. The annual burden placed upon real property is much lighter than upon personalty; the savings of the prudent and careful invested in the latter pay upon their full value at death, while the landed estates of wealthy proprietors, the value of which has been largely augmented by the general

industry, pay a comparatively trifling sum and that by instalments spread over several years. In many cases they evade the payment of duty by means of settlements or gifts during life, or surrender during life subject to life interest. The inequality of Imperial taxation is not redressed by the incidence of local rates; many of these are levied for purposes directly productive to the landowners, others for objects which ultimately improve the value of their property, and the major part have become charges upon the property and are not burdens upon owners of which they have any just ground of complaint. It is necessary to take all the facts into consideration if we would arrive at a complete view of the incidence of taxation.

There is another feature of the case as affecting the working classes which deserves attention. Child-labour is very generally necessary in order to enable families to secure the bare necessaries of life. When it is said that the gross income derived from weekly wages amounts to several millions a year, it should not be forgotten that in order to make up this aggregate, children, many of them very young, have had to contribute their earnings. In the case of seven out of the twelve examples, adduced by Mr. Dudley Baxter, the earnings of the children form no unimportant feature of the family income. In several of them, they are more than absorbed by taxation; in one instance such earnings constituted one-fourth the total income of the family. It is somewhat inconsistent with legislation against excessive child labour that the revenue of the State should be in any degree dependent upon the scanty pittance of wages earned by young

children. It is also inconsistent with the principles of justice and at variance with the true interest of the wealthy themselves, that so large and undue a proportion of the burdens of the State should be placed upon the shoulders of the weakest and least prosperous of the community.

The system of taxation now in force is one which imposes taxes on industry, enterprise, and skill, and acts in "restraint of trade," a procedure which appears to be considered praiseworthy in a Government when employed to raise a revenue, but is a serious offence when practised by working men, with the idea, whether mistaken or otherwise, of improving their condition. We have taxes that aggravate the pecuniary difficulties of the poor by adding to the price of some of the necessaries and comforts of life. We tax spirits to promote sobriety, and we tax their harmless rivals, tea and coffee. The State derives a revenue, not merely from the moderate, but also from the excessive consumption of intoxicating beverages, and is partner in the unholy gains of the lowest gin-shop. The amount thus contributed to the revenue has recently been urged against wholesome restrictions in the cause of good order and morality, and the large proportion of taxation collected by the licensed victualler has been adduced as a proof of the importance of his trade. We tax permanent incomes derived from real estate, which can be transmitted entire at death, at the same rate as the temporary and precarious gains of the trader and professional man. We favour real property largely in the assessment of the Probate, Legacy, and Succession duties. A very considerable portion of the Im-

perial revenue is raised by methods of taxation which deceive the taxpayer and are thus incentives to wasteful and extravagant expenditure. We desire expansion of trade, and have prosecuted wars in distant parts of the earth for that purpose, while we maintain that great hindrance to the growth of commerce, the Custom House. We invite other nations to follow us in the path of free trade, while we have not yet had the courage to carry out its principles to their full logical conclusion. In the supposed interest of property we maintain a fiscal system which prevents the full development of its value, and is alike impolitic and unjust. The increase of our naval and military expenditure is constantly being demanded on the ground of defending our great wealth, while the owners of that wealth evade their responsibilities and throw the chief burden of its defence upon the poor. When all these facts are thoroughly understood, it will be impossible to resist the demand that will arise for a thorough and complete revision of our entire system of taxation.

CHAPTER XVI.

THE BUDGET OF 1874 AND THE FINANCE OF THE FUTURE.

The improvement effected in the condition of the National Finances by the five years' Liberal administration, which terminated in 1874, provided a very acceptable legacy for the new Conservative Ministry. In 1869 Mr. Lowe had to encounter a Conservative deficiency of £381,000, and to provide for £4,600,000 on account of Abyssinian expenditure; in 1874 Sir Stafford Northcote had the more pleasing task of distributing a Liberal surplus of £5,492,000, increased to one of £6,000,000 by the new practice of carrying to the account of revenue interest received on loans advanced from the Exchequer. The following table shows the estimates and the results of the year which terminated on the 31st March, 1874:—

	£		£
Estimated Revenue ..	73,762,000	Actual Revenue...	77,335,657
Expenditure voted as per Appropriation Act, including £3,200,000 for Alabama Claims...	75,511,815	Actual Expenditure, including £3,200,000 for Alabama Claims	76,466,510
Estimated deficiency	1,749,815	Actual surplus ...	869,147

It will be remembered that Mr. Lowe only provided in his financial statement for one-half the Alabama claims, trusting to the continued vitality of the revenue to enable him to defray the remaining half,

without having recourse to Exchequer bills; his anticipation was fully realized. The revenue exceeded his estimate by no less a sum than £3,573,657. The expenditure exceeded the amount voted in the Appropriation Act by £954,695, of which £800,000 was on account of the Ashantee Expedition; if it had not been for the last named expenditure the surplus would have been £1,669,147.

The estimates of expenditure for the current year had been prepared by Mr. Gladstone's administration, and were examined and adopted by Sir Stafford Northcote and his colleagues. They amounted to £72,503,000, while the revenue was estimated at £77,995,000, leaving a surplus of £5,492,000, and thus confirming the expectations held out by Mr. Gladstone in the manifesto he addressed to his constituents in the month of January. In that part of the financial statement of 1874 which detailed the results of the previous year's finance, and explained the estimates for the current year, Sir Stafford Northcote placed on record the final financial achievements of the Liberal Ministry; it then became his task to deal with the surplus which they had created and to open up a fresh chapter of Conservative finance. As a former pupil and private secretary of Mr. Gladstone it was expected that, personally, he would not be indisposed to a further development of the financial policy, which had already conferred such advantage upon the country; the result shewed that, although in opposition the Conservative leaders had warmly censured the policy of Mr. Lowe, they did not hesitate in office to carry forward his work.

The addition to the surplus, that was obtained by placing the interest received on Government loans to the credit of the revenue, was applied to the further reduction of debt, by the creation of additional terminable annuities to expire in 1885. The original surplus of £5,492,000 was then disposed of in the following manner:—

	Amount remitted during the Financial Year.		Ultimate Remission.
In relief of Local Taxation.....	£1,010,000	...	£1,250,000
Reduction of Income Tax	1,540,000	...	1,840,000
Repeal of the Sugar Duty.....	2,000,000	...	2,000,000
Repeal of the Horse Tax and Horse Dealers' Licenses....	480,000	...	480,000
Surplus	462,000	...	
	£5,492,000	...	£5,570,000

The success of the Budget was mainly owing to the fact that it was framed, in some of its most important features, upon liberal principles. The abolition of the sugar duties was a necessary consequence of Mr. Lowe's previous reductions, which, it will be remembered, were severely censured by the leaders of the Conservative party*; the repeal of the tax on horses was a measure in perfect accordance with the liberal policy which for so many continuous years had, in spite of strenuous and constant opposition from Mr. Disraeli and his followers, removed, one after another, the series of harassing imposts on trade which had been imposed by Tory administrations during the

* See *ante*, pp. 97, 110, 113, 143-4, for the criticisms of Mr. Ward Hunt, Mr. Disraeli, Mr. Liddell, Mr. Thomas Baring, and Mr. W. H. Smith.

great French War. The weak points of the budget were the appropriation of so large an amount in relief of local taxation, without any concurrent reform of local government, and the reduction of the income tax to so low a rate as twopence in the pound, without any accompanying readjustments of direct taxation. It is no doubt true that both these measures are in perfect harmony with the traditional policy that has been advocated by the Conservative party, under the leadership of the present Prime Minister, and may, in some quarters, ensure a temporary popularity; but they are none the less unsound in principle, and at variance with the true interests of the community.

The transfer to the Consolidated Fund of charges now borne by local rates was described by Sir Stafford Northcote as a "relief of local taxation," but it does not follow that it will be any relief to those by whom local taxation is paid. The rates may be reduced in some localities; of this, however, there is no certainty, so long as the present chaos of local government is allowed to exist, but the taxes will be increased. An ostensible payment will be replaced by one which, although unseen, will be far more onerous, and an increased share of the public expenditure will be thrown upon those who are already overburdened. Indirect taxation is insidious in its operation, oppressive in its incidence—especially as regards the poor—extravagant in the cost of collection, and productive of serious loss and injury, by the restraints which it imposes upon trade and employment. It is the avowed intention of those who advocate a relief of local burdens upon the plan partly carried out by the present Government, to

secure their object by the increase of this method of taxation. Upon the pretext that a large amount of wealth escapes any contribution towards expenditure incurred for local purposes, they deliberately propose to augment the pressure of Imperial taxation upon the poor. It may be the case that the cost of some Imperial objects is defrayed out of local revenues, and a transfer of such charges may be desirable. Any such transfer, however, must be attended by a complete revision of Imperial taxation, or its present inequality and injustice will be seriously aggravated. The prospect of further changes in this direction, held out by Sir Stafford Northcote in his financial statement, render it necessary that future budgets of the present administration be carefully watched by those who desire the continued development of a sound financial policy.

There is much force in the objection that has been urged against Sir Stafford Northcote's proposal respecting the income tax, that the vexatious machinery of that impost was retained for a very inadequate result. There is, however, a far more serious ground of complaint. It is now generally admitted that this impost does, in some degree, redress the heavy inequality of taxation placed upon the poor by means of Customs and Excise. Its reduction, therefore, to a comparatively unproductive rate is, virtually, a relief of the rich at the expense of the poor. When Mr. Gladstone made known his conviction that the time had arrived when the country might enjoy the advantage of the total repeal of the tax, he did not lose sight of this fact, but also declared that some

marked relief should simultaneously be given to the general consumer in the remission of duties on articles of popular consumption. The scheme which he shadowed forth would have absorbed considerably more than the anticipated surplus, and he therefore indicated his intention of asking Parliament to consider, in conjunction with those great remissions, what moderate assistance could be had from judicious adjustments of existing taxes. The exact nature of these adjustments was not stated, but there can be little doubt that, while affording the means of a further fiscal reform, which would have been highly beneficial to commerce and manufactures, they would, in some degree, have redressed the present inequality of taxation. The boon then offered was rejected by the constituencies, and the Income Tax appears, under the Conservative administration, to be approaching a vanishing point, without any provision being made for a more equitable adjustment of our fiscal system.

Looking at the vast benefits that have been invariably conferred upon the community by the removal of restrictions upon commerce, there can be no doubt that the budget would have been far more productive of advantage to all classes, if the income tax had been retained at threepence, and the extra receipt, supplemented by the amount devoted to the dubious relief of local taxation, had been applied to the removal of more oppressive burdens on trade and industry. In that case Sir Stafford Northcote would have been able to propound a budget, which would have worthily supplemented the most celebrated measures of Sir Robert Peel and Mr. Gladstone, and would have

stamped him as no unworthy pupil of the greatest living master of financial science. Unfortunately a magnificent opportunity was lost, and the benefits that might have been secured by such an application of free trade principles, as was within reach of the most ordinary financial ability, was lost in the vain attempt to satisfy class interests and to realize expectations that had been injudiciously fostered when in opposition.

It is impossible to avoid expressing the deep regret that must be felt by all who have attentively watched the course of recent financial legislation, that the proposals foreshadowed in Mr. Gladstone's address to the electors of Greenwich, were not propounded by him, in detail, in his place in Parliament, as the responsible Minister of the Crown. In that case there can be no question that the magnificent surplus, created by his administration, would have been utilized to the utmost, and for the benefit of all; the dismissal of the income tax, after thirty years effective service in the liberation of commerce from unwise imposts,* would have been accompanied by such readjustments of taxation as would have prevented the relief of wealth at the expense of poverty; national finance would have been placed upon a more equitable basis; trade and industry would have entered upon another stage of marked development; and agriculture, sharing in the general prosperity, would have received far greater benefits than have been conferred upon it, by those who profess to be its peculiar and exclusive patrons.

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* See *ante* pp. 226-228.

Although it may be natural to express regret for a lost opportunity, the real question of practical importance, is, not what might have been, but what is to be? The finance of the past is chiefly valuable as a chart for the guidance of Chancellors of the Exchequer in the future. It has been shewn, in the preceding pages, that every successive application of the principle of free commercial intercourse has been pregnant with advantage to all classes. At the same time, it has been rendered evident by numerous facts, that the chief benefit of past reforms has accrued to the capitalist and the landowner. No change has been effected in the incidence of taxation, the contributions of working men and their families towards Imperial taxation are still far in excess of those levied upon any other class of the community, while they have to bear the heavy pressure of increasing rent, created to a large extent by the growth of local taxation, which has been rendered necessary to repair the neglect of previous generations.* Past experience offers ample inducements to persevere in the task of further liberating commerce from fiscal restrictions; a vast and important

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* A high authority upon the question of taxation observes, in respect to this very point, "The ignorance of the mass of electors on political and social questions, even when they are most powerfully interested in the subject, is most profound. What, for example, would be the attitude of ratepayers to the question of local taxation, if they understood the true incidence of a tax paid by occupiers, and knew the fact that at present the great landowner's rent is free of imposts, while the contributions of the tenants actually give the landowner the power to levy an additional rent on the outlay of the occupier?"—"*Cobden and Political Opinion.*" By J. E. Thorold Roger. A "seven years war," like that of the Anti-Corn Law League, appears necessary in order to indoctrinate the public mind with a great economic truth.

work has already been achieved, but the equitable adjustment of taxation is a problem, the solution of which has not yet been attempted, and the task of emancipating commerce from fiscal restraints, which impede its growth, is not yet complete.

There is a remarkable unanimity of opinion among all classes as to the necessity of a revision of taxation. In his budget speech, Sir Stafford Northcote stated, that out of £66,000,000 of properly called disposable revenue, various deputations had proposed to sweep away £55,000,000. Tea, coffee, and the minor customs duties, the income tax, the brewers' license, and the railway passengers' duty, have all their sturdy opponents, and, to crown all, the agricultural interest desires, with one hand, to sweep away the tax on malt, which brings in upwards of £7,000,000, and, with the other, to seize a considerable contribution from the impoverished exchequer, in the hope of obtaining some relief from local rates. Another school of economists objects altogether to any further remissions of taxation, and proposes to apply all surplus revenue to the reduction of the National debt. The Chancellor of the Exchequer appears to consider, that "in the multitude of counsellors, there is safety," and that his best policy is to leave the deputations which wait upon him to answer one another, to balance opposing claims, and then to take the course most convenient for himself and his colleagues.

With respect to Imperial taxation there can be no doubt as to the policy which the experience of the last thirty years enforces and upholds. The work of free-trade legislation is not yet complete; much has

been done, but much remains to do; whether the duties imposed upon foreign commodities be few or many, the Custom House is a standing blockade of our own ports,* a serious impediment to trade, and a restraint upon intercourse between the nations of the world; it is the worst toll system ever devised. The words of Sir Louis Malet, one of the coadjutors of the late Richard Cobden, in the negociation of the French Treaty, are well worthy of consideration. He says :—

"We have obtained enough Free Trade to enable our upper and middle classes to acquire more wealth than, with their present education, they can either employ wisely or spend innocently, and to stimulate unproductive consumption in vulgar luxury and wasteful charity; but we have not obtained enough Free Trade to feed and clothe and house our people, or to inspire confidence in other countries, and to establish those international relations without which all hope of internal progress is a foolish and idle dream.†"

The removal of every impediment to the commercial intercourse of nations, by the abolition of the Custom House, is a policy which was warmly supported by Richard Cobden, and it is an object which all who are thoroughly imbued with the principles which it was the object of his life to promote, and who desire to render more than mere lip-homage to his memory, will seek to accomplish. To secure this great end it is necessary to maintain and extend the principle of

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* "All restraints upon the free intercourse of nations are virtually acts of war. They are attempts more or less openly avowed, to show that it is expedient, not only to keep one's neighbour at arms' length, but to cripple his resources or injure his interests."—"*Cobden and Political Opinion.*" By J. E. Thorold Rogers.

† Preface to the "*Political Opinions of Richard Cobden.*" London: Macmillan and Co.

direct taxation, which is not only more honest and economical as respects the taxpayer, than its insidious rival, but is also the only foundation upon which it is possible to erect the edifice of perfect free trade, and the only means by which an adequate contribution can be obtained from the wealth and property of the country.

The repeal of indirect taxation has invariably encountered the steady and persevering opposition of the Conservative party. The solitary exception is to be found in the proposal of Sir Stafford Northcote for the repeal of the sugar duty. Upon every other occasion the whole force of that party has been rallied in support of a moribund duty of Customs or Excise.* Among the enemies of modern finance there was none more consistent and determined than the late Lord Derby. His opposition, although unintelligent, was in its practical effect most disinterested, for there were few landed proprietors who had derived greater benefits from free trade legislation. Speaking upon the question of the abolition of the paper duty, he condemned the policy of repealing indirect taxation because it would, in his opinion, weaken the revenue and render war impossible. Referring to a statement of the Duke of Argyle that the Government had no intention of breaking down the revenue from indirect taxation, his lordship said:—

"I was charmed to hear from the noble duke opposite a declara-

* It is true that some of these duties were repealed by Sir Robert Peel, but he was mainly supported by Liberal members, the bulk of the Conservative party deserted his banners; his ministry was left without followers and had to rely upon the votes of the Opposition. Notwithstanding this patent fact, Conservatives of the present day have the audacity to claim his measures as a proof that their party is not opposed to reform!

tion on the part of the Government that they have nothing in common with the principles announced by those who are described as forming the Manchester school; but, whatever may be the intentions of the Government, they are by their acts playing into the hands and furthering the avowed objects of that party. What is the announcement of that party? The announcement made—not concealed, but openly proclaimed—is, that they will effect a change of taxation, and so cut down the indirect taxes as to make the whole dependence of the country be upon direct taxation; and the pressure of that direct taxation, they anticipate, will be so grinding and so odious that, whatever the circumstances of the country may be, war will be avoided, because no party will be willing to defray the expense necessary for carrying it on. That is the avowed object of those persons. They say, 'We will secure peace by taking away the power of making war, by throwing the whole burden of taxation on direct taxation, and making the pressure odious.' The Government have quite different views, I have no doubt; but if they had the same objects they could not more effectually promote them than by the system of finance they are encouraging. My Lords, it is not, therefore, solely on account of the amount, though that is considerable, that I object to the abolition of the paper duty; but because you are taking away an important branch of revenue, and establishing principles and promoting objects contended for by those parties who, by weakening the financial condition of the country, desire to effect the purposes they have in view. For these reasons of political as well as financial importance I object to the proposition of the Government, and shall not feel myself justified in giving my assent to it."*

The maintenance of Customs and Excise, upon the ground of their utility as engines of war taxation, may render them very desirable sources of revenue in the estimation of such politicians as advocate "a spirited foreign policy" and represent the services in Parliament, but it is not by any means probable that

* Hansard's Debates. Third series, Vol. 158, pp. 1542-1543.

this fact will commend them to the community in general, when sufficiently enlightened to understand the full bearings of the question.* Such a defence of indirect taxation may well be commended to the careful consideration of all who are desirous of preserving this country from being again embroiled in the politics of the continent. Unjust taxation appears to be considered indispensable, in order to defray the cost of "just and necessary wars." It is not, however, true that the repeal of indirect taxation weakens the financial condition of the country. On the contrary, it has been abundantly demonstrated that no surer method can be adopted to secure this end than the imposition of duties of customs and excise. Every relaxation of such imposts has been the means of

* The valuable parliamentary return of Income and Expenditure from 1688 to 1869, moved for by Mr. Gladstone in 1866 (No. 366, Sess. 1869), gives a summary of our war expenditure during that period. It amounted to £1,235,741,209, of which £779,283,245, or nearly two thirds, remained a burden upon the taxpayers on the 31st March, 1874. This, moreover, does not include interest upon the debt, which, according to the Financial Reform Almanack for 1874, has reached, during the present century, £1,984,776,780; this was up to the 31st March, 1873; if the following year is added the total will be more than £2,000,000,000. In addition must be added traders' profits upon the indirect taxation, levied to defray this interest, the cost of the pauperism that has been created by war, the loss of trade and employment, the crimes to which consequent poverty has driven numbers of the population. During 128 years, commencing 1688 and ending 1815, there were only 37 in which this country was at peace. The moral and social evils which these wars have entailed upon the country cannot be imagined, and, to crown all, the objects for which they were carried on mainly concerned dynasties and rulers, and were of little moment to the people, out of whose resources the cost was defrayed. The foolish war, which originated in the attempt to tax the American Colonies, and ended in their independence, cost £97,599,496, of which £94,560,069 was raised by creation of debt. For the details showing the cost of each war, see Appendix.

largely increasing the wealth and prosperity of the country, and thus adding to its financial strength.*

The benefits already conferred upon the nation, by the remission of indirect taxation, have been fully recognised by Sir Stafford Northcote in his first financial statement. Speaking chiefly with a view to the future policy of the Conservative Government, he said† :—

"We look back to the year 1842 as in a certain sense the commencement of a new financial epoch: and, no doubt, at that time a great revolution was effected in the financial system—and in a most important branch of it—by the reform of our system of indirect taxation effected by Sir Robert Peel and his Administration and carried on by the late Prime Minister. We are never tired of praising the great work which has been done in these thirty years. There has been a great remission of taxation—mountains of taxes, I may say, have been removed from the pressure put upon the consumers and also upon the trade and industry of the country:—we have done an amount of work of which any nation may be proud in the course of about one generation. But it now seems to us that there is another side to the question of finance which stands as much in need of attention and reform as did the side of indirect taxation in the days of Sir Robert Peel and in the year 1842, and that is the great question of our direct, and especially of our direct local, taxation."

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* In support of this view the authority of the Chancellor of the Exchequer may be adduced. In his work, entitled "Twenty Years of Financial Policy," he says:—"The Government of Lord Aberdeen have sometimes been accused of incompetency, or of culpable negligence, for having brought forward such a budget as that of 1853, on the eve of a war which they ought to have foreseen. Whether they ought to have foreseen it or not, is a question not to be discussed here. Whether, if they had distinctly foreseen it, they would have brought forward exactly the budget they did, may be doubted; but the great features of that budget—the settlement of the Income tax question, and, in a lesser, but still in an important degree, the revision of our indirect taxation—mark it as a budget eminently calculated to strengthen the position of a country which was about to embark in a serious and expensive struggle."

† "*Hansard's Debates.*" Third Series, vol. 218, p. 651.

This well deserved eulogy of the great financial revolution, that has been effected since 1842, is the severest possible condemnation of the opposition which it has invariably encountered from the present leaders of the Conservative party. At every stage of its progress that beneficent revolution was the object of their bitter denunciation; in the removal of the mountains, to which Sir Stafford Northcote refers, they had neither part nor lot; it was their choice to indulge in prognostications of evil which have all been falsified, and they have thus been proved to be "blind leaders of the blind." Upon reaching the promised land of official responsibility, with a majority at their back, it was one of the first tasks of their Chancellor of the Exchequer to celebrate the triumph of their political opponents, and with respect to one important article of consumption and commerce, to complete the work which his immediate predecessor had commenced.

It appears, from this portion of Sir Stafford Northcote's financial statement, to be the opinion of the Government that attention should now be directed towards the reform of direct taxation, both Imperial and local, aud that other questions may wait. There is, however, one very important question which cannot be overlooked, whether regard be had to its intrinsic importance or to the high authority upon which it has been urged upon the attention of Parliament. There is no necessity to indulge in alarmist views respecting the early failure of our coal supplies, in order to enforce the conclusion that more decided efforts should be made for the reduction of the national debt. The arguments that have been advanced in Parliament in

favour of this course by Mr. John Stuart Mill* and Mr. Gladstone are deserving of serious attention, especially when a new financial departure appears to be in contemplation.

Among other considerations, the progress made by the United States in the reduction of the enormous burden imposed upon them by their great Civil War may well occasion serious reflection in this country. If they continue their efforts, so as to pay off their debt with a speed at all approaching past reductions, the time will come when their taxation will, of neces-

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* Mr. Jevons, in his work on the coal question, estimated that three generations at the most, probably a shorter period, would leave no workable coal at a less depth than 4,000 feet, and that the expense of raising it from that depth would put it out of our power to compete in manufactures with the richer coal fields of other countries. In reference to this calculation, Mr. Mill made the following observations in the House of Commons:—"It has now come to this, that instead of being at liberty to suppose that future generations will be more capable than we are ourselves of paying off the National Debt, it is probable that the present generation and the one or two which will follow, are the only ones which will have the smallest chance of ever being able to pay it off. Now, what is the duty which facts of this sort impose upon this country? Are we going to bequeath our pecuniary obligations undiminished to descendants, to whom we cannot bequeath our assets? Suppose the property of a private individual had come to him deeply mortgaged, and that the bulk of it consisted of a mine, rich indeed, but certain to be exhausted in his lifetime, would he think it honourable to waste the whole proceeds of the mine in riotous living, and leave to his children the payment of the debt out of the residue of the estate? Then what would be vicious and dishonourable in a private individual is not less dishonourable in a nation. We ought to think of these things while it is still time. This country is at present richer and more prosperous than any country we ever knew or read of, and it can without any material inconvenience or privation set aside several millions a year for the discharge of this important duty to our descendants."—*Hansard's Debates*, third series, vol. 182, pp. 1525, 1526. In the financial statement for 1866 (*Hansard*, third series, vol. 183, pp. 389-407), Mr. Gladstone treated the subject at some length, and expressed his concurrence with the views expressed by Mr. Mill, adding a warning to owners of real property that the burden would ultimately fall upon them, as capital would migrate, while the land would remain.

sity, be so light that a modification of their tariff will be inevitable. If during the same period we have done nothing towards the material reduction of our own burden, we may find ourselves entering upon a severe competition at a great disadvantage. Whether this be so, or not, there can be no doubt that the relief obtained by the removal of this great annual dead-weight would be of material advantage to the trade and industry of the country.

It has sometimes been argued that, inasmuch as we are not under any obligation to pay off the principal of the debt, there is no occasion to take any decided measures for its reduction, as the growth of the country in wealth is steadily diminishing the burden. The argument is plausible, but, apart from other considerations, it is open to the conclusive reply that the taxation required to meet the yearly interest is not placed upon wealth, but upon poverty. The whole burden is borne by indirect taxation; and it has been abundantly demonstrated that the real pressure of such imposts is chiefly felt by those who have the smallest means. If the incidence of taxation were fairly adjusted, so that a fair proportion fell upon wealth, it would probably be found that owners of property would consider it a wise course to deal with the principal of the debt, in order to relieve themselves from the heavy annual charge which it involves. In any case, looking at their future interests, it would be a judicious procedure on their part to submit to an increase in the amount they contribute to the National revenue, in order that it might be applied towards the reduction of debt. The spontaneous growth of rent, to

which reference has already been made, could not be applied to a more useful or productive purpose.

The support afforded by members of the present administration to the motions brought forward by Sir Massey Lopes, in the last Parliament, left no room for doubt as to their views upon taxation. The pressure of local rates upon land had long been a favourite grievance with Mr. Disraeli, but the first attempt of his ministry to deal with the matter does not appear to have given much satisfaction to the landed interest. The chief advantage, if there be any, of the measure of last session fell to the towns, and rural agitators have not been slow to express their discontent. The question is one that cannot be treated advantageously in the rule-of-thumb fashion, advocated by Sir Massey Lopes; revision of local taxation and reconstruction of local government must be dealt with together. Looking at all the difficulties of the subject, the slow and cautious method of the late adminstration was far more conservative, in the best sense of the word, than the hasty concession of their successors, which has failed to satisfy the anticipations of their own supporters.

The "relief of local taxation," inaugurated by Sir Stafford Northcote, is open to grave question, both on the grounds of its economic effect and its practical injustice. Its obvious intention is to throw further charges upon indirect taxation,* thus aggravating the

* This fact was made perfectly clear by the motion, proposed in 1873 by Mr. W. H. Smith, and supported by Sir Stafford Northcote, Mr. Ward Hunt, and Mr. Disraeli, protesting against any further reduction of indirect taxation, until the House was in possession of the views of the Government with reference to the maintenance and adjustment of direct taxation, both Imperial and local.

burden, and placing hindrances in the way of any further reform of the most objectionable portions of our fiscal system. When proposed, in 1872, by Sir Massey Lopes, this method of dealing with the question was supported by some representatives of large borough constituencies, on the ground that a very considerable proportion of the wealth of the country escapes any contribution towards local taxation. No proposal has, however, been made which touches this wealth, but the reverse. The existing pressure of Imperial taxation is far more severe upon poverty than it is upon wealth, and this inequality will be seriously aggravated by any measure which throws an increased burden upon the Imperial Exchequer, unless attended by a corresponding adjustment of taxation. A House of Commons, consisting mainly of landowners and their connections, and elected by constituencies which are not thoroughly instructed on the subject, may endeavour to relieve property from long-standing obligations, but the decision will not stand. When the question has been thoroughly discussed, the existing incidence of taxation, both Imperial and local, must undergo a complete and equitable revision.

The celebrated resolution of the Session of 1872 in favour of transferring, either wholly or in part, the cost of the administration of justice, the police, and lunatics to Imperial taxation, was based upon the principle that expenditure, which is independent of local control, ought not to be a charge upon local rates. The items specified were no doubt selected by the framers of the resolution as the strongest portions of their case, but it is not contended that the amount

expended upon these objects is absolutely free from control on the part of the local authorities. There is a margin, more or less elastic, within which the amount of this expenditure is controllable by those who administer local affairs, and the resolution is self-condemned in so far as it claims entire relief from these burdens. It is obvious that the expenses of justice and the police must, to a considerable extent, be within the control of local administrators. Upon their constant and careful supervision the efficient maintenance of the police force is dependent, and in proportion to its efficiency or inefficiency will be the amount incurred in the administration of justice. If the whole expense is to be borne by the Imperial Exchequer, the whole responsibility must be assumed by the Imperial Government. The police would in that case cease to be a force under local control, for the preservation of the peace of each district, and would become a Government engine capable of being employed for very different purposes. It surely cannot be the intention of the supporters of Sir Massey Lopes thus to weaken the principle of local self-government; such, however, would be the infallible result of their proposal. On the other hand, the administration by independent local authorities of funds provided by government would be a fruitful source of extravagance. The control of Parliament over expenditure, already weak and inefficient, would be still further impaired, and existing burdens would be seriously aggravated. It is a thorough reconstruction of our system of local government and taxation that is necessary, not the transfer of charges to Im-

perial taxation, or the strengthening of the principle of centralization.

It appears from Sir Stafford Northcote's financial statement to be the opinion of the present Government that, so far as Imperial revenue is concerned, the great question of direct taxation is whether the income tax shall be retained or repealed, and upon this question the Government has not come to any decision. The reduction of the tax to the low rate of twopence in the pound was not intended as an indication that the Government were prepared to propose its abolition, but entire liberty of judgment was reserved both as to its maintenance, and as to the introduction of improvements into its mode of assessment, its incidence, and some other matters connected with it. This being the case, the position occupied by the Income Tax in our fiscal system is well deserving of consideration. The enormous service which it has rendered, in the liberation of trade from a multitude of onerous and oppressive burdens, has been already referred to; its existence has rendered possible the great reform of our system of indirect taxation, which has been the foundation of our modern commercial progress. It has the transcendent merit over duties of Customs and Excise that it does not interfere with the processes of industry or the course of trade, and that the whole amount which it costs the taxpayer is devoted to the service of the State. It is at present almost the only impost by means of which any substantial contribution is levied from the increasing wealth of the country, and its repeal without any effective substitute would aggravate the pressure of

taxation upon those classes which are least able to bear the burden. It has its inequalities, but they are by no means so flagrant and unjust as the inequalities of indirect taxation.

It has been already shewn that the chief advantage of recent remissions of taxation has been appropriated by the upper and middle classes, and that the pressure of taxation, both Imperial and local, is far more severe upon the small tradesman, the clerk, and the working man, than it is upon the capitalist and the landowner.* There is another fact in connection with National finance that is also deserving of attention; the remission of £25,000,000 of taxation has been attended by an increase of £24,900,000 in the amount of the Imperial revenue. This vast addition to the revenue has been mainly derived from the increased consumption of taxed articles among the working classes. Mr. Cobden made several striking observations upon this growth of expenditure, in his last public speech,† when he urged the necessity of retrenchment, in order to effect a real relief from the pressure of taxation. Judging from recent experience, it may be questioned whether any material permanent reduction will be effected in the National expenditure, until the people are more fully instructed in financial science. The most "heroic efforts" to secure economy, although they may obtain commendation from Chancellors of the Exchequer anxious to remit taxes, appear to be

* See *ante* pp. 11-16, 144-151, 159-161, 178-182, and chapter xv.

† Speeches vol. ii. p. 370. See also "*Cobden and Political Opinion*," by James E. Thorold Rogers. Chapter vi.

invariably followed by a rebound in the opposite direction, when the growth of expenditure, at all times kept in check with difficulty, gets beyond control. The steady and persevering protests of the small minority in Parliament, who advocate economy, have been powerless to prevent the vast additions that have been made to the public burdens since the Crimean war, when, according to Sir Stafford Northcote,* there was "begotten in us a habit and even a taste for expenditure, such as it is much easier to acquire than to get rid of." The "bloated armaments," which were once denounced by Mr. Disraeli, do not seem likely to suffer diminution at the hands of his administration.† Under such circumstances it becomes more and more imperative that a means should be devised of securing an adequate contribution from the growing wealth of the country, especially from that portion of it which is created by the general industry of the community, without any care or anxiety on the part of its owners.

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* "Twenty Years' Financial Policy," p. 298.

† The following extract from a recent volume of essays by Professor Thorold Rogers ("Cobden and Political Opinion") shows very clearly the difficulty of effecting any reduction of expenditure, so long as the burden is secretly imposed upon the taxpayers:—"When the English nation becomes alive to its strength, and reasons upon the process by which it is governed, and when it is informed about the sacrifices which it has to make in order to keep up the present scale of Government expenditure, it cannot, I think, be doubted that it will insist on economy. Under our system of taxation, under indeed any system of taxation with which modern finance is familiar, the pressure of large expenditure falls far more heavily on narrow than it does upon large incomes. And the reason is obvious. No tax, which is levied on articles the use of which is wholly voluntary, is half so productive as a tax levied on articles the use of which is necessary or habitual. The doctrine which would put all taxation on the rich is odious and unfair; but the sacrifice which the poor have to make in their

Whenever it is proposed to raise a fair proportion of the Imperial revenue from real property, the cry is raised of "confiscation," and unfair exemptions are justified upon the ground of alleged rights of property. It is assumed that the right of property in land rests upon the same basis as the right of property in commodities created by human industry, and the fears of the commercial classes are excited in order that they may become an additional bulwark of a fiscal system which imposes serious restraints upon trade and undue burdens upon those who are not possessed of property. It is upon such grounds that opponents of secret voting have been the warmest defenders of secret taxation, as they well know the existing incidence of public burdens could not be maintained, if the collection of the taxes were as open and apparent as ordinary commercial transactions. If it be confiscation to increase taxation upon a kind of property which steadily augments in value through the efforts

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payments to public purposes is really very heavy and the only way in which any tendency towards the doctrine to which I have referred may be obviated is to reduce public expenditure within the narrowest limits consistent with good faith, security, and good government. It is no apology for excessive expenditure to say that the burden of taxation has become relatively lighter, because the nation has grown more numerous and more wealthy. The extortion of the past, the prodigious burden borne by the people for the fifteen years after the great Continental War, will not make the public acquiesce in present waste. And as soon as ever the 'future rulers' of England are convinced that much of the cost of administration is a levy on the resources of the many for the benefit of the few, it is certain that the services will be thoroughly and radically reformed." "Odious and unfair" are no doubt very appropriate epithets by which to describe any proposal to put all taxation on the rich, but they are equally applicable and forcible in regard to the existing system of taxation, which places the heaviest burdens upon the narrowest incomes, and relieves the rich at the expense of the poor. The best way of meeting proposals like the one described by Professor Rogers is for the rich openly to assume their fair share of the public burdens.

of the general community, quite irrespective of any outlay on the part of its owners, what word can be employed to describe a system which relieves such property from its fair share of taxation, and throws the burden upon those whose life is a struggle for the bare necessaries of existence. Confiscation appears to be considered just, when employed to exact the last farthing from the miserable wages of the agricultural labourer, or from the equally scanty earnings of those who are engaged in the unskilled employment of large cities and towns; it is obnoxious only when it touches the rich.

The doctrine that the State has a right to levy special taxation upon the unearned increment of rent is mainly distasteful because sound principles of taxation are, even yet, but little understood. If landowners were wise, they would be the first to advocate such a measure, as it would not only remove a well founded sense of injustice from the public mind, but also, by enabling Parliament to repeal more oppressive burdens upon trade and industry, would be the surest means of adding to the value of their estates.* It may appear paradoxical to assert that the levy of a direct tax upon rent is a means of improving property, but it is none the less true, if the tax so imposed is a substitute for imposts which are far more onerous in their ultimate consequences, as affecting property. The experience of the last thirty years abundantly demonstrates that the extension of free commercial

* See "Dialogues on Taxation, Imperial and Local." By W. Pollard Urquhart, M.P. Financial Reform Association, Liverpool.

intercourse, both internal by the removal of duties of Excise and external by the removal of duties of Customs, is the surest means of creating a vast increment of rent. There is no occasion for any revolutionary proceeding in order to carry out the change proposed. A gradual extension of the principle of direct taxation upon property would enable it to be effected, without inconvenience, by the appropriation of a portion of the increased rental which would result from successive remissions of indirect taxation.

The principle upon which Mr. Mill lays great stress, that the rule of taxation should be equality of sacrifice,* meaning thereby that the contribution of each person towards the expenses of Government should be so apportioned that he shall feel neither more nor less inconvenience from his share of the payment than every other person experiences from his, is most conspicuously violated by existing fiscal arrangements. It cannot be for one moment maintained, by any one who has impartially investigated the subject, that the sacrifice made by the wealthy and prosperous portion of the community approaches that which is imposed upon the poor. From the period when the House of Commons, on the 21st November, 1660, by a majority of two, in the Convention Parliament of Charles the Second, relieved the landowners from burdens, which had been borne by their estates from time immemorial, and in lieu thereof settled one-half the excise upon the king and his heirs for ever, it appears to have been

* "Political Economy," book v., chap. ii., sec. 2.

the aim of legislation, in a House of Commons mainly consisting of landowners and their nominees, to throw the chief burden of taxation upon the labouring classes. Many of the evils introduced into our fiscal system during long years of financial mismanagement have been removed, but the equitable adjustment of taxation, so as to place a fair share of the public burdens upon wealth, still remains a problem which requires the attention of Parliament. The satisfactory solution of this question is to be desired, not merely for the purpose of removing well-founded expressions of discontent, but also in order to lay broad and deep the foundations of national prosperity and to secure the permanent welfare and prosperity of every section of the community. In a recent article, which has excited considerable attention, Mr. Gladstone observes that "in the inward realms of thought and of imagination, the title of England to stand in the first rank of civilized nations need not be argued, for it is admitted. It would be equally idle to offer any special plea on its behalf in reference to developments purely external. The railway and the telegraph, the factory, the forge, and the mine; the highways beaten upon every ocean; the first place in the trade of the world, where population would give us but the fifth; a commercial marine equalling that of the whole of Continental Europe; these may be left to tell their own tale." * These marvellous results, so far as external developments are concerned, have been mainly the growth

* "Contemporary Review," October, 1874.

of the last thirty years; their progress may be traced, step by step, as the direct consequence of the growth of scientific knowledge in relation to the administration of National Finance; the tale they tell is a record of benefits secured by emancipating the energy of the people; and the policy which they indicate is the further application of those principles of finance, which have already been productive of such vast advantage, in order to secure the widest possible extension of our commerce, and the steady and continuous growth of our national prosperity.

The opinion expressed by the present Chancellor of the Exchequer, that the reform of our system of direct taxation is the pressing financial question of the day, is a proposition which may very fairly command universal assent, and by none will it be held more firmly than by those who desire the further reform of our system of indirect taxation. In late years it has been the general practice to appropriate surplus revenue, with more or less of equality, between direct and indirect taxation, but there is no sound principle involved in such a procedure. The foundation upon which the fiscal reforms of Sir Robert Peel and of Mr. Gladstone were built up was the substitution of direct for indirect taxation; it was by means of the income tax that the great revolution in our financial system, eulogized by Sir Stafford Northcote in his budget speech, was effected. Whether the policy of the future is mainly directed towards the removal of taxation or the reduction of debt, it is evident that the question of direct taxation must force itself upon public attention. The claim of the agricultural in-

terest for the repeal of the malt tax is a case in point. It is difficult to see in what way their end is to be attained except by the substitution of a direct tax in place of that impost.

Looking at our system of Imperial taxation as a whole we find that it presses lightly upon property and heavily upon industry; it is lenient towards wealth, and oppressive upon those whose life is a constant struggle for the necessaries and decencies of existence. Its inequality is mainly redressed by the income tax, which levies the same percentage upon the earnings of the trader, the professional man, and the clerk, whose incomes depend upon the continuance of health and strength and are terminable at death, as it does upon incomes from property which may be transmitted unimpaired at death, if not largely augmented in value by the general industry of the community. Personal property is subject, at the death of its owner, to the Probate duty, from which real estate is exempt, and the Succession Duty on the latter is levied at a much lower rate than the Legacy Duty on the former. There are, moreover, very considerable estates, which enjoy an additional exemption, being held by corporations, and consequently not liable to Succession Duty; their value is continually increasing without any effort on the part of their owners; they have all the advantages of State protection, and it is unjust towards other holders of property and the general taxpayer, that they should be relieved from any contribution that is imposed upon property held by individuals. It will no doubt be argued that corporate property is mainly held for charitable purposes, and should there-

fore be exempt from taxation. The old adage, "be just before you are generous," is a sufficient reply to this statement. No one proposes that charitable property should be insured against fire at any lower rate than similar property in private hands; why then should it be favoured in respect to its payment for the protection afforded by the State?* If it is desirable for the State to subscribe to certain charities, let it be done openly by a vote in supply, and not by an exemption from taxation which it is impossible to justify. The abuses which characterise the administration of charity property invalidate all claims to favour on account of the objects to which much of it is devoted; notably is this the case with respect to the City Companies, respecting which Professor Thorold Rogers says, very justly, "the real objects of the over-grown charities possessed by such Companies as the Goldsmiths, the Merchant Taylors, the Fishmongers, and the like, are not the rich people who consume great part of the income of these charities in vulgar ostentation and scandalous gluttony, and who are neither goldsmiths, nor tailors, nor fishermen, but the artisans who work at these several callings and have been simply defrauded of their due."† Equally scandalous is the present position of the Inns of Chancery, which have long ceased to offer any facilities for legal education and expend their revenues for the personal gratification of their members. The immunities

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* See Appendix for further illustrations of this portion of the question.

† "Cobden and Political Opinion."

enjoyed by real property, whether in the hands of private owners or corporate bodies, are not redressed by the incidence of local taxation, which in the rural districts is mainly a rate in aid of wages, or incurred for purposes directly beneficial to property, and, in so far as it falls upon property, has become a rent charge, subject to which it has, for many years, been either purchased or inherited, while in the towns the local rates are so contrived as to fall upon the occupiers, and are paid out of the general income of the community. It is evident from these facts that there is a very wide field for the application of sound principles of finance in connection with a complete revision of our system of direct taxation, and that it is only by such a revision that the incidence of the public burdens can be made more equitable, and the collection of the national revenue can be placed upon a sound and satisfactory basis, so as to secure the cardinal requisite of justice towards every class of taxpayers, and the levy of the national revenues in the manner that shall cause the least interference with trade and industry, and thus ensure the diffusion of prosperity and contentment throughout every portion of the United Kingdom.

APPENDIX.

APPENDIX I.

IMPORTS OF FOOD, BEVERAGES, TOBACCO, OIL SEED CAKE, AND SEEDS.

1872 AND 1873.

Compiled from the "Annual Statement of Trade." The volume for 1873 having been issued since the chapters to which these tables relate were in type, the returns for that year have been added.

	1872.		1873.	
	Quantities.	Value.	Quantities.	Value.
Amimals, living :—[1]		£		£
Oxen, Bulls, Cows, and Calves No.	172,993	2,676,379	200,802	3,354,043
Sheep and Lambs .. .. No.	809,822	1,666,874	851,116	1,822,531
Swine .. .. No.	16,100	51,597	80,978	242,010
Dead Meat, unenumerated :—[2]				
Bacon .. ..Cwts.	1,845,562	3,783,316	2,784,426	5,690,799
Hams .. ..Cwts.	156,293	405,665	202,803	554,431
Beef, salted .. ..Cwts.	193,327	335,435	215,777	414,666
Do., fresh or slightly salted ..Cwts.	35,585	84,823	44,777	105,149
Meat, salted or fresh, not otherwise described .. .. . Cwts.	55,354	138,272	79,841	216,681
,, preserved otherwise than by salting .. ..Cwts.	350,729	945,819	260,749	733,331
Pork, salted not hams .. .. ..Cwts.	212,030	434,293	265,321	579,752
,, fresh .. ..Cwts.	6,230	13,084	24,374	64,262
Butter, Cheese, Eggs, and Fish :—[3]				
Butter .. ..Cwts.	1,138,081	6,028,474	1,279,566	6,955,264
Cheese .. ..Cwts.	1,057,883	3,931,977	1,356,728	4,061,456
Eggs .. .. No.	531,591,720	1,762,600	660,474,000	2,359,022
Fish, fresh, not of British taking Cwts.	266,444	251,828	261,496	233,028
,, cured or salted .. .. ..Cwts.	404,748	607,214	456,678	770,208
Corn, Grain, and Meal :—[4]				
Wheat .. ..Cwts.	42,127,726	26,169,185	43,863,098	28,538,746
Barley .. .. ,,	15,046,566	6,194,096	9,241,063	4,013,572
Oats .. .. ,,	11,537,325	4,201,492	11,907,702	4,799,839
Rye .. .. ,,	235,422	85,235	61,771	25,156
Pease .. .. ,,	1,296,133	563,763	1,190,837	517,785
Beans .. .. ,,	2,948,916	1,189,952	2,982,064	1,269,553
Maize or Indian Corn .. .. .. ,,	24,532,670	8,691,192	18,823,431	6,646,991
Buckwheat .. .. ,,	39,415	12,208	37,463	13,883
Carried forward		£69,324,773		£73,982,158

	1872. Quantities.	1872. Value.	1873. Quantities.	1873. Value.
		£		£
Brought forward		69,324,773		73,982,158
Corn, Grain, and Meal—*continued*				
Bear or Bigg .. .. ,,	1,125	428		
Wheat Meal and Flour .. .. ,,	4,388,136	4,087,689	6,214,479	5,849,852
Barley Meal .. .. ,,	403	202		
Oat Meal .. .. ,,	30,168	20,556	64,774	49,229
Rye Meal .. .. ,,	1,439	711	692	438
Pea Meal .. .. ,,	263	175	1,020	300
Bean Meal .. .. ,,	1,520	675		
Maize or Indian Corn Meal .. .. ,,	5,374	9,877	6,856	10,570
Buckwheat Meal .. .. ,,	21	33	30	42
Unenumerated do .. .. ,,	3,612	1,397	6,067	1,855
Essence of Spruce[13]		21		53
Fruit :—[5]				
Almonds .. ..Cwts.	70,270	204,592	48,694	140,584
Nuts, principally used as Fruit ..		434,697		511,910
Oranges and Lemons .. .. Bushels.	2,385,160	1,154,270	2,308,208	1,124,248
Preserved without sugar .. .. lbs.	4,985,627	74,189	7,702,191	98,242
Raw, not otherwise described Bushels,	1,691,703	1,024,685	1,324,608	762,710
Dried, do do. do. ,,	76,406	67,065	94,789	73,329
Currants, dried .. ..Cwts.	1,138,853	1,584,073	991,353	1,275,445
Figs, dried .. .. ,,	141,847	231,571	120,347	220,413
Plums (French) and Prunelloes .. ,,	6,630	31,927	1,175	9,371
Plums, dried or preserved (except in sugar) not otherwise described .. .. ,,	800	5,737	2,405	8,728
Prunes	23,715	30,629	9,718	14,515
Raisins	617,418	1,149,337	379,374	668,790
Hops[13] .. ..Cwts.	135,965	679,276	122,729	602,941
Malt[13] .. .. Qrs.			11	33
Ice[13] .. ..Tons.	139,421	128,251	160,832	166,220
Lard[13] .. ..Cwts.	579,056	1,308,844	626,090	1,388,881
Liquorice[13] .. .. ,,	28,000	75,991	29,179	81,776
Myrabolams[13]	484,453	280,857	171,472	103,963
Oil Seed Cakes[14] .. ..Tons.	134,300	1,252,974	138,193	1,328,525
Onions[13] .. .. Bushels.	859,031	193,308	1,127,995	264,876
Pickles and Vegetables preserved in salt .. ..Gals.		118,196		121,416
Pickles preserved in Vinegar[13] .. ,,	1,108	547	1,252	1,060
Potatoes[6] .. ..Cwts.	5,987,429	1,640,515	7,506,615	2,120,154
Poultry and Game (including Rabbits)[13]		217,526		257,389
Rice, rough and in the husk[6] .. .. Qrs.	27,447	49,332	18,772	33,540
,, not do nor do. do. do.[6] .. ..Cwts.	7,033,361	3,518,421	6,540,318	3,245,434
Sago and Sago Flour[6] .. .. .. ,,	298,418	244,984	298,179	237,057
Salt[13] .. ..Tons.	15,222	16,417	32,809	37,083
Sauces or Condiments[13] .. .. .. lbs.	1,201,573	34,696	1,247,522	27,492
Seeds :—[14]				
Clover and Grass .. ..Cwts.	290,849	746,813	276,782	661,332
Carried forward		£89,946,207		£95,481,954

	1872.		1873.	
	Quantities.	Value.	Quantities.	Value.
		£		£
Brought forward		89,946,207		95,481,954
Seeds—*continued.*				
Cotton .. ..Tons.	167,904	1,403,825	207,038	1,603,321
Flax and Linseed .. .. Qrs.	1,514,947	4,513,842	1,445,938	4,136,664
Rape .. .. ,,	246,549	621,013	276,328	725,279
Garden, unenumerated .. .. lbs.	503,912	20,586	323,333	21,147
Tares and Lentils .. .. Bushels.	479,100	114,940	328,109	74.436
Unenumerated, commonly used for expressing oil therefrom Qrs.	36,217	102,417	60,808	174,379
,, other sorts .. ..Cwts.	324,921	353,834	388,479	311,969
Spices :—[9]				
Cinnamon .. .. lbs.	1,072,080	110,993	1,078,753	116,144
Ginger (raw) .. ..Cwts.	32,174	72,139	36,363	97,548
Pepper .. .. lbs.	27,576,710	753,970	26,324,828	818,437
Unenumerated .. .. ,,	9,461,253	310,317	6,601,393	229,958
Spirits of all sorts :—[10]				
Brandy .. .. Proof Galls.	3,505,295	1,328,656	6,483,486	2,375,447
Geneva .. .. ,, ,,	305,166	56,385	324,496	59,905
Rum .. .. ,, ,,	6,537,273	674,357	6,931,311	742,696
Unenumerated not sweetened or mixed .. ,, ,,	1,307,428	126,056	1,260,050	110,015
Sweetened or mixed, perfumed, including Eau de Cologne .. ,,	44,558	71,626	41,415	68,450
,, Unenumerated, including Shrub .. .. ,,	44,690	39,795	56,469	54,340
Sugar :—[7]				
Refined and Candy .. .. ..Cwts.	1,729,302	3,142,703	2,273,490	3,847,271
Unrefined .. .. ,,	13,776,696	18,044,898	14,241,328	17,066,026
Glucose (Liquid) or Vegetable Syrup .. .. ,,	29,700	36,337	36,806	43,373
Molasses .. .. ,,	696,615	350,741	520,815	245,766
Succades and Confectionery,[13] (including Fruits and Vegetables preserved in Sugar) .. ..Cwts.	55,345	209,452	49,525	215,188
Tea, Coffee, &c. :—[8]				
Tea .. .. lbs.	184,927,148	12,933,143	163,765,269	11,372,595
Coffee .. .. ,,	166,269,052	5,257,403	183,402,576	7,230,351
Chicory, raw or kiln dried .. ..Cwts.	101,504	69,266	113,304	79,758
,, roasted or ground .. .. lbs.	187,666	1,923	228,963	2,994
Cocoa .. .. ,,	15,044,134	467,144	19,570,625	599,432
,, Husks and Shells .. ..Cwts.	8,725	8,555	7,707	6,061
,, Paste or Chocolate .. .. lbs.	102,423	9,847	105,418	9,622
Tobacco :—[12]				
Unmanufactured .. .. lbs.	45,549,700	1,563,882	81,382,733	2,618,799
Snuff .. .. ,,	4,787	1,312	6,933	275
Cigars .. .. ,,	1,464,757	1,033,984	1,697,581	1,167,938
Cavendish or Negro-head .. .. ,,	2,142,372	95,909	2,070,038	100,738
Other sorts, including Cigarettes ,,	55,669	13,945	59,647	14,587
Carried forward		£143,861,402		£151,822,883

	1872.		1873.	
	Quantities.	Value.	Quantities.	Value.
		£		£
Brought forward		143,861,402		151,822,883
Vegetables[12] unenumerated		137,689		141,473
Vinegar[12] .. .. Gallons.	58,833	6,348	59,562	5,705
Wine[11] .. .. ,,	19,660.127	7,718,848	21,682,356	8,267,326
Yeast, dried[12] .. ..Cwts.	140,191	347,689	147,226	374,347
Beer and Ale :—[12]				
Mum.. .. .. Barrels.	1	2	13	
Spruce .. .. ,,	1,670	11,154	1,894	37
Of other sorts.. .. .. .. ,,	2,710	9,163	2,981	12,986
Farinaceous Substance and Manufactures thereof		355,887		10,455 311,002
Total Value		£152,448,182		£160,946,214

SUMMARY OF TOTAL VALUE OF IMPORTS OF FOOD, &c.

	1872.	1873.
	£	£
1. Living Animals used as Food	4,394,850	5,418,584
2. Dead Meat	6,140,707	8,359,071
3. Butter, Cheese, Eggs, and Fish	11,682,093	14,378,978
4. Corn, Grain, and Meal..	51,228,816	51,737,811
5. Fruit	5,992,772	4,908,285
6. Rice, Sago, and Potatoes	5,453,252	5,636,185
7. Sugar and Molasses	21,574,679	21,202,436
8. Tea, Coffee, Cocoa, &c.	18,747,281	19,300,833
Total, as stated on p. 191, for comparison with similar imports in 1840 and 1865	125,214,450	130,942,183
9. Spices	1,247,419	1,262,087
Total, as stated on p. 242 for comparison with imports of Spirits, Wine, and Tobacco	126,461,869	132,204,270
10. Foreign Spirits	2,296,875	3,410,853
11. Wine	7,718,848	8,267,326
12. Tobacco	2,709,032	3,902,337
	12,724,755	15,580,516
13. Miscellaneous	4,131,314	4,124,376
14. Oil Seed Cakes, & Seeds, used in the production of Food.	9,130,244	9,037,052
Total	£152,448,182	£160,946,214

APPENDIX II.

THE CONDITION OF THE WORKING CLASSES DURING THE CLOSING YEARS OF THE PROTECTIVE ERA.

The following statements made by members of Parliament, principally in respect to the districts which they represented, have been collected from "Hansard's Parliamentary Debates." They afford conclusive evidence of the condition of general distress and wretchedness into which the population had been plunged by legislative efforts to protect Native Industry.

Mr. Slaney. *Feb. 4th*, 1840. In Liverpool, in 1839, there were 7,860 cellars used as dwellings, inhabited by 39,000 people, or one-seventh the then population of the town. In Manchester and Salford also a considerable portion of the population inhabited cellars. Out of 37,000 habitations which were examined no less than 18,400 were ill-furnished, and 10,400 altogether without furniture. In Bury, the population of which is 20,000, the dwellings of 3,000 families were visited. In 773 of them the families slept three and four in a bed; in 209, four and five slept in a bed; in 67, five and six slept in a bed; and in 15, six and seven slept in a bed. In Newcastle-upon-Tyne the residences of 26,000 poor persons were examined, and those who saw them gave a most appalling account of the misery, filth, and want of air which prevailed.

Mr. Scholefield, *June 15th*, 1841, read a letter, from which the following is an extract, respecting Birmingham:—"Workmen, with large families, are receiving from 6s. to 11s. per week, and would be able, if they could work full time, to earn from 15s. to 30s. per week. How these families live and pay rent can only be answered by the poor creatures themselves."

Mr. Baines. *June 16th*, 1841. In Leeds no less than 10,000 persons were out of employment, or dependent on those in that situation. (The population at that time was 151,063, so that one-fifteenth had no work).

Mr. S. Crawford. *Sep. 20th*, 1841. In Rochdale there were 136 persons living on 6d. per week, 290 on 10d., 508 on 1s., 855 on 1s. 6d., and 1,500 on 1s. 10d. per week. Of these, five-sixths had scarcely a blanket among them; 85 families had no blanket; and 46 families had only chaff beds, without any covering at all.

Mr. P. Stewart, *Sept. 24th*, 1841, quoted a letter from Johnstone, which said:—"I could tell you of mothers dividing a farthing salt herring and a halfpenny-worth of potatoes among a family of seven; of others mixing sawdust with oatmeal in making their porridge, to enable each to have a mouthful; and of families living for ten days on beans, and peas, and ears of wheat, stolen by the children from the neighbouring fields."

Mr. Brotherton. *Sept. 24th*, 1841. In Salford there were 2,030 houses untenanted, which, if occupied, would yield a rental of £27,000 a year. The poor-rates had doubled since 1836. In Manchester, during the last year, upwards of 10,000 families had been relieved by public subscription.

Dr. Bowring. *Sept. 30th*, 1841. At Bolton 1,400 houses were unoccupied; of the poor-rates only two-thirds could be collected in consequence of the distress. Workpeople in iron and machinery were only employed half-time, engineers the same, masons, bricklayers, and joiners only one-third employed, and tailors, shoemakers, and hand-loom weavers were even worse off than that.

Mr. Cobden. *June 16th*, 1842. In Stockport 29 large concerns were closed. A 2s. rate only yielded one-sixth of what it did two years ago, and a 1s. rate only two-thirds of what a 6d. rate did at that time.

Mr. Wallace. *July 1st*, 1842. In Glasgow the number of unemployed had been steadily increasing for six months; on the 11th of June the number of persons on the relief fund amounted to 12,000.

Dr. Bowring. *July 1st*, 1842. What was the state of the town of Bolton? At this moment, one-third of the rated property was paying the poor-rates, and there were 10,000 persons who had not 1s. each a week to live upon.

Mr. Aglionby. *July 1st*, 1842. In Cockermouth the number of families without any visible means of existence whatever was 389; of families, the weekly earnings of which did not exceed 1s. a

head, 419; of which the earnings exceeded a 1s. and did not reach 1s. 6d., 362; below 2s., 212; and below 3s., 279; making 1,661 families, including 6,000 individuals, whose average earnings were not more than 1s. 2d. These 6,000 persons included more than one fourth of the whole population of the town.

MR. WARD. *July 1st*, 1842. In Sheffield one-third were out of work; and the poor-rates were increasing in a way which the depressed state of the town could not in any manner supply. In Leeds nearly one-fourth of the population were more or less in the receipt of public relief.

MR. HUME. *July 1st*, 1842. What the people complained of was, that food was high and wages were low; that food was rising in price and wages falling, while thousands and tens of thousands had no wages at all.

MR. MARSLAND. *July 8th*, 1842. In Stockport there were from 2,000 to 3,000 of the cottage houses untenanted, and more than half their manufacturers were unable any longer to carry on business.

MR. C. BULLER. *July 8th*, 1842. The distress was not confined to the northern districts; it was felt extensively in the south of England. He had seen a letter from an intelligent country gentleman resident in Devonshire, who said, that the distress which prevailed in that district—and especially in the towns of Exeter and Plymouth—was such as had never been witnessed before.

MR. COBDEN. *July 8th*, 1842. I see the Hon. Member for Leeds in his place, and I challenge him to say whether the condition of Leeds at this moment is not worse than that of Stockport. We have not 40,000 utterly unemployed; our poor-rates are not so high; his borough must be one vast poor-house. At Hinckley there are 1,500 stocking frames, and only 21 fully employed. What is the state of the mines of Staffordshire? There are 25,000 utterly destitute of employment. I know at this time a place where 100 wedding rings were pawned in one week to provide the owners with bread. Men and women have subsisted only upon boiled nettles; and in the neighbourhood with which I was originally connected in business, Burnley, the starving people dug up the putrid carcase of a cow, rather than die of hunger.

THE QUEEN'S MESSAGE. *Feb. 2nd*, 1843. Her Majesty regrets

the diminished receipt from some of the ordinary sources of revenue. Her Majesty fears that it must be in part attributed to the reduced consumption of many articles caused by that depression of the manufacturing industry of the country, which has so long prevailed, and which Her Majesty has so deeply lamented. Her Majesty regrets that in the course of last year the public peace in some of the manufacturing districts was seriously disturbed, and the lives and property of Her Majesty's subjects were endangered by tumultuous assemblages and acts of open violence.

Viscount Howick. *Feb. 13th*, 1843. The time is now to be reckoned not by months but by years, during which the manufacturing and commercial interests of the country (to use the words of Her Majesty's Speech,) have been in a state of great "depression." That distress which, in the first instance, affected only one great branch of our national industry, has lately extended to all the other great interests of the State. In the parish of Sunderland the rates during the last six months have been at the rate of 18s. in the pound, per annum, on two-thirds of the rack-rent; the actual amount for the whole year has been 17s. 3½d.

Mr. Ward, *Feb. 14th*, 1843, quoted the following passage from the report of a charitable society at Sheffield.—"Since the year 1837, there has been manifestly a most disastrous turn in trade and manufactures here, not the consequence of a sudden shock from violent and temporary derangement, traceable to obvious causes, severe and heavy for a while, as on former occasions, for which, if slowly, but surely, amendment followed, but a progressive decay, like the fatal and insidious symptoms of consumption in the human frame, tending towards inevitable destruction. The oldest inhabitant of Sheffield cannot remember a crisis of calamity so general, and apparently so hopeless as that which has come upon us. The labouring classes have been going down into abject destitution.

Dr. Bowring. *Feb. 15th*, 1843. The applications for relief to the Society for the Protection of the Poor in the town of Bolton, showed how frightfully distress had of late increased. In 1840, the number of applicants for relief, most of them heads of families, was 770; in 1841, it was 2,564; in 1842, it was 3,940. The number of individuals belonging to the families of those who were relieved in

1840 was 2,656; in 1841, 9,523; in 1842, 15,296. The average earnings of those who applied for relief from this Society were, in 1840, 1s. 2¾d. per week; in 1841, 10¼d.; and in 1842, 10¼d.; but of those who received relief the average weekly earnings was in 1840, 10¼d.; in 1841, 9½d.; and in 1842, 9¾d.

Mr. C. Wood. *Feb. 15th*, 1843. In Leeds the distress of the people had more than trebled in the short space of two years. There were relieved in 1840, 3,400 persons; 1841, 7,300; 1842, 14,800. In two adjoining townships the poor-rates had doubled during the same period. In the last four years 94 firms had become insolvent in Leeds, with liabilities which amounted to £1,500,000, and the dividend paid did not exceed 5s. in the pound. In one trade alone, the sum paid in wages was less than that paid when the people were fully employed, by £430,000.

Mr. Brotherton. *Feb. 17th*, 1843. The poor-rates levied in Salford in 1836 amounted to £7,079; in 1839 they were £13,366; in 1840, £12,761; in 1841, £17,547; in 1842, £23,961.

Mr. John Bright. *March 13th* 1845. If the Right Hon. Gentleman looked to Salisbury, and within a mile of his own residence, he would find the able-bodied labourers picking stones out of the field, and their wages were but 8d. a day.

APPENDIX III.

FURTHER INFORMATION RESPECTING WAGES.

The following comparison of wages paid in 1874 with those of previous years, as published in the Journal of the Statistical Society, affords evidence from four different districts of a considerable advance since the removal of so many restrictions upon trade.

WEEKLY WAGES OF FACTORY HANDS AT MANCHESTER, 1849 AND 1874.

The figures for 1849 are from a paper on Prices and Wages by Mr. G. R. Porter. "Journal of the Statistical Society," Vol. XIV. The figures for 1874 have been obtained by private enquiry in Manchester from competent authorities engaged in the manufactures of that city. The gentleman by whom the figures were obtained says, that "the wages are very difficult to get as an average."

In 1849.

Card Room	Males	12s.
"	Females	8s. 6d.
Spinners and Piecers - -		12s.
Power-loom Weavers, working two looms only, male and female - - - -		9s. 5d.
Power-loom helpers - - -		4s. 8d.
Mechanics - - - - - -		19s. 3d.

In 1874.

Card Room hands are of two kinds, grinders and ordinary hands. One informant gives the former at 15s, and the latter at 11s. Another gives the grinders at 20s.; card room, females, at 10s. 6d. Spinners and piecers, one informant gives:

Spinners - - - - - -	42s.
Piecers - - - - - -	15s.

Another informant gives:

Spinners - - - - - -	35s. 8d.
Piecers, of different kinds,	11s., 7s. 6d., 5s.

Power-loom weavers 6s. per loom, or about 15s. per weaver, averaging two, three, and four loom weavers.

Power-loom helpers,	4s. 6d. and 5s.
Mechanics - - - - -	22s.

AVERAGE WEEKLY WAGES IN LEEDS IN 1839 AND 1874.

The figures for 1839 are taken from a Report upon the condition of the town and its inhabitants, prepared by a Statistical Committee of the Town Council. "Journal of the Statistical Society." Vol. II. The figures for 1874 have been obtained by personal enquiry.

	1839.	1874.
Cloth Pressers	20s.	30s.
Cloth Drawers	24s. 6d.	30s.
Slubbers	24s.	30s. to 35s.
Wool Sorters	21s.	30s. to 35s.
Warehousemen	21s.	24s.
Weavers	13s.	Men 20s.
"	—	Women 14s.

In 1874 the weavers are nearly all women. A large number of women are also employed as minders of sewing machines in the cloth cap, boot and shoe, and ready-made clothing trades, wages about 15s. per week. Other mill girls earn 6s. to 9s., according to ability.

WAGES IN COLLIERIES IN NORTHUMBERLAND AND DURHAM IN 1839, AND IN DECEMBER, 1874.

The figures for 1839 are from a report of a Committee of the British Association, published in the Statistical Society's Journal. Vol. II., pp. 345—356. The figures for 1874, have been kindly supplied by Mr. T. Burt, M.P.

In 1839.

Hewers, 3s. 9d.; putters, 3s. 9d.; banksmen, 4s. 7d.; waggonmen, 3s. 6d.; enginemen, 3s. 4d.; masons, 3s. 5d.; smiths, 3s. 2d. per day, with house, firing, and garden in addition; the hewers for six and all the others for twelve hours per day.

In Dec., 1874.

In Northumberland.

Hewers, about 7s.; putters, about 4s.; banksmen, from 4s. to 6s.; smiths and joiners, about 4s. 9d.; stonemen and shifters, range from 6s. to 3s. 6d. per day. The pits never work more than five days a-week; the workmen have free house and coal as a rule.

In Durham.

Wages range lower, hewers at present receiving about 6s. per day, and other classes in proportion.

Intimation of another reduction had been given at the time these statistics were prepared.

In 1873, when wages were at the highest the average wages of hewers, in Northumberland, were about 9s. per day.

AVERAGE WEEKLY EARNINGS AT AN IRON WORK IN SOUTH WALES, IN 1844, 1849, 1873 AND 1874.

The years 1844 and 1849 are taken from "A comparative Statement of Prices and Wages," by Mr. G. R. Porter, published in the "Journal of the Statistical Society," Vol. XIV. The figures for 1873 and 1874 have been kindly supplied by the Cashier of an Iron Work in South Wales.

	1844.	1849.	1873.	1874.
Colliers -	13s.	14s. 3d.	43s. to 47s. 6d.	39s. 6d. to 46s. 6d.
Miners -	10s. 7d.	10s. 9d.	44s.	46s. 6d. to 48s.
Labourers -	11s.	11s.	20s. 6d.	19s.
Founders -	23s. 9d.	30s. 4d.	43s.	45s.
Fillers -	22s.	30s. 4d.	39s. 6d.	40s. 6d.
Cinder Fillers	21s.	21s. 1d.	26s.	25s. 6d.
Refiners -	37s. 8d.	39s. 6d.	63s. 4d.	71s. 3d.
Puddlers -	22s. 7d.	25s. 7d.	40s. 2d.	31s. 6d.
Ballers -	22s. 2d.	23s.	45s. 7d.	38s. 2d.
Rollers -	33s. 7d.	35s. 6d.	68s.	65s. 8d.

APPENDIX IV.

THE AVERAGE PRICE PAID FOR COALS AT BETHLEM ROYAL HOSPITAL, 1845, 1874,

From the "Miscellaneous Statistics of the United Kiugdom," and returns kindly supplied by the Steward of the Hospital.

	Per ton. s.	d.			Per ton. s.	d.			Per ton. s.	d.
1845	18	0	...	1855	22	7	...	1865	19	9
1846	16	7½	...	1856	21	6	...	1866	20	9
1847	19	1½	...	1857	20	0	...	1867	19	9
1848	16	0	...	1858	19	10½	...	1868	19	6
1849	17	4	...	1859	18	3	...	1869	17	9
1850	16	4½	...	1860	19	6	...	1870	18	1
1851	15	4	...	1861	19	1½	...	1871	18	3
1852	15	3½	...	1862	20	6	...	1872	22	9
1853	18	0½	...	1863	18	3	...	1873	31	0
1854	22	0	...	1864	19	0	...	1874	30	1½

APPENDIX V.

ANALYSIS OF MR. DUDLEY BAXTER'S TABLES OF TAXATION OF THE MANUAL LABOUR CLASSES,

Shewing the Balance of Income left after paying Rent, Rates, Taxes, and Traders' Profits upon Taxes. See his work upon "The Taxation of the United Kingdom," pp. 169-171.

	Average No. per Family.	Total Earnings per Family.	Rent per Family.	Rates and Taxes.				Balance left after paying Rent, Rates, Taxes, &c.
				Rates	Taxes.	Profit on Taxes.	Total.	
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
London Workmen.								
1. Average of 15 Journeymen Printers in Westminster	4½	92 0 0	21 14 0	3 6 0	4 4 7	1 1 2	8 11 9	61 14 3
2. A Carpenter's Family at Clapham	4	98 16 0	15 18 8	0 19 4	5 8 10	1 7 2	7 15 4	75 2 0
3. Average of six Families in Bethnal Green and Whitechapel	6	53 10 0	11 14 4	2 3 0	3 1 1	0 15 3	5 19 4	35 16 4
4. A Workman's Family at Hampstead	6	54 0 0	10 5 9	1 8 3	2 8 6	0 12 2	4 8 11	39 5 4
Other Town Workmen.								
5. Two Families at Sheffield	5	62 5 0	8 1 0	3 0 0	5 17 0	1 9 3	10 6 3	43 17 9
6. Six Families at Abbey Town, near Carlisle	5	57 0 0	5 0 0	0 10 0	6 2 6	1 10 7	8 3 1	43 16 11
7. Three Families at Wakefield	7	64 0 0	5 5 0	1 0 0	3 4 2	0 16 0	5 0 2	53 14 10
8. Two Families at Christchurch, Hants	5½	47 0 0	7 0 0	0 11 0	1 17 3	0 9 4	2 17 7	37 2 5
Agricultural Labourers.								
9. Two Families near Sheffield, & 3 near Wakefield	6	48 0 0	4 5 0	0 11 6	2 14 4	0 13 7	3 19 5	39 15 7
10. Two Families near Maldon, Essex	5½	46 3 0	5 19 2	0 12 7	1 13 3	0 8 4	2 14 2	37 9 8
11. Three Families near Christchurch, Hants	5⅔	36 0 0	4 0 0	0 6 0	1 18 8	0 9 8	2 14 4	29 5 8
12. Three Families near Tiverton, Devon	5⅓	28 12 0	3 3 0	0 7 0	0 13 10	0 3 5	1 4 3	24 4 9

NOTES ON THE FOREGOING TABLE.

Local Rates.—In the four London cases the rates are paid by the landlord, and half of them, being the part which Mr. Baxter assumes to fall on the owner, are included under the head of rent. In the other cases, 5 to 12, the rates appear to be paid by the tenant; and the whole amount is included under the head of rates. Half of this, in Mr. Baxter's opinion, falls on the landlord—*i.e.* the tenant would pay increased rent to that amount, if there were no rates. In either case the amount to be deducted from the workmen's earnings is the same; where the tenant pays the rates he pays the whole rate, and the only way in which any part of the rates so paid falls upon the landlord is in a dimunition of the rent he would otherwise receive. In towns, whether the rates are paid in the first instance by the landlord or the tenant, there can be little question that the whole burden rests upon the tenant.

Wives and Children's Earnings.—In the following cases the father's wages are supplemented by the family, the total earnings including the following sums: 2. Mother, £20 16s. 3. Children, £4. 6. Mother, £6 10s.; children, £3 10s. 7. Children, £9 10s.; 8. Mother, £2 10s.; children, £12. 9. Mother, £3 12s.; children, £5 8s. 10. Children, 13s. 11. Mother, £4. 12. Mother, £1 15s.; children, £4 7s.

General Remarks.—The profits on taxes have been taken at 25 per cent., which is a very moderate estimate for purchases in small quantities; 50 per cent. would be more accurate, but the author desires to avoid even the appearance of exaggeration. In the last case, No. 12, the taxation is low, as the family are cider drinkers, and there is no duty on that beverage. Since Mr. Baxter's figures were compiled the duties on corn and sugar have been repealed, but there is every reason to believe that increased consumption of other articles, subject to duty, has quite absorbed the saving from this source.

APPENDIX VI.

THE COST OF WAR—1868 TO 1869.

From Return, Public Income and Expenditure, No. 366—1 part 2, Sess. 1869, pp. 707, 708.

	GREAT BRITAIN.	£
1688-1697	War in Ireland and against France, &c.	32,643,764
1702-1713	War of Spanish Succession	50,684,956
1718-1721	War with Spain	4,547,324
1739-1748	War with Spain (Right of Search) and of Austrian Succession	43,655,192
1756-1763	Seven Years' War	82,623,738
1776-1785	American War	97,599,496
	GREAT BRITAIN AND IRELAND.	
1793-1815	War with France	831,446,449
1838-1843	Insurrection in Canada	2,096,046
1840-1843	First China War	2,201,028
1848-1853	Kaffir War	2,060,000
1854-5—1855-6	Russian War	69,277,694
1856-7—1860-1	Second China War	6,640,693
1856-7	Persian Expedition	900,000
1864-5	New Zealand War	764,829
1866-7—1867-8	Abyssinian Expedition	8,600,000
		£1,235,741,209

In addition to the above wars, there have been during the same period the following naval and military operations, the cost of which is not stated separately. Same Return, part 1, pp. 478, 479.

1715-1717.....Naval operations in the Baltic against Sweden.
1726-1729.....Naval operations in the Baltic against Russia, and in the West Indies against Spain.
1735-1737.....Naval operations in aid of Portugal.
1738.....Naval operations in Mediterranean against Spain.
1754.....Military and Naval operations in North American colonies against France.
1775.....Hostilities commenced with North American colonies.
1826-1828.....Aid to Portugal against Spain.
1827....."Pacification" of Greece.

The general result appears to be that during the 128 years commencing 1688 and ending 1815, there were only 37 during the whole of which this country was at peace. During the 53 following years there were only 27 years of peace.

APPENDIX VII

TAXATION OF CORPORATE PROPERTY.

A correspondent of the *Examiner* newspaper, writing on the above subject (Nov. 28, 1874,) gives the following illustrations of the abuses which appear to be inseparable from such property.

"I am trustee of freehold and personal property which has been in trust for 250 years; it has increased ten-fold or twenty-fold in value, and the purposes of the trust have not for a long time been carried out, because the objects do not exist. For the other case, I beg to refer to the Sixteenth Report of the Charity Commissioners, 1868, wherein a property is described, called 'Smith's Trusts,' which commenced in 1627. The income is now about £16,000 per annum, and the Commissioners say, in reference to the larger part of it distributed, that 'it has rather injured than improved the condition in life of the persons among whom it has been distributed.' And Lord Kingsdown said, in 1846, 'The nature of this trust makes it impossible for the trustees to administer it in any manner that can be satisfactory either to themselves or the objects of the charity.'" He adds, "Now, I never could understand why such property as this should escape its fair share of taxation; why the dead should be allowed to prevent the property they have left in public or semi-public trust being taxed equally with that still left in private hands." It will be very difficult for those who defend the exemption from taxation of such property to give a satisfactory reason for its continuance.

A leading article in the same newspaper has the following comments upon the question:—"A correspondent, who signs himself "X," and whose letter we publish in another column, calls attention to the fact that the landed estates of these wealthy corporations are held in perpetual trust for corporate purposes, and consequently altogether escape the operation of the succession duty. Our correspondent assumes that the value of the real estate thus held in

mortmain must amount to many millions *per annum*. We have no Domesday book, as we ought to have, and an exact estimate is consequently out of the question. But it is worthy of notice that the Universities and Colleges of Oxford and Cambridge hold between them, according to the returns of the recent Commission, no less an amount than 319,716 acres of land in all parts of the kingdom, and we may very safely assume that the City Companies hold quite as much, if not more. Then there are, besides, our hospitals, our large public endowed schools, our almshouses, and a whole number of lesser and miscellaneous charities, all of which derive the major part of their income from land. In almost every case this land has of course enormously increased in value since it was first acquired under the original bequest, and is capable of still larger increase in the future, and our correspondent is probably right in assuming that the unearned increment, especially where it is impossible to devote it to the purposes of the original trust, is not always put to the best possible use. We believe that Bideford Bridge, in Devon, was originally endowed with two small fields, out of the rent of which its repairs were to be paid. These fields now underlie the busiest part of all Bideford, and the trustees of the bridge have built schools, repaired churches, apprenticed children, and otherwise put the income to good use. Had they been a City Company they would have confined themselves to keeping the bridge in repair, and would have devoted the remainder of the income to big dinners. It is indeed notorious that the City Companies, with but a very few honourable exceptions, regard their duty as trustees to be strictly limited by the precise terms of the original trust, and consider the unearned increment to be fairly their own. If a field is left them with a charge to pay out of it thirty shillings a year each to two deserving old women, the two old women get their thirty shillings with the strictest and most scrupulous regularity. But if the field happens to be, or rather to have once been, in the very centre of Finsbury, and now brings in not three pounds a-year but three thousand, the Company regards the extra two thousand nine hundred and ninety-seven as its own legitimate perquisite, to be devoted by it to those 'corporate purposes' which have made 'the noble hospitality of our City Companies' a household word."

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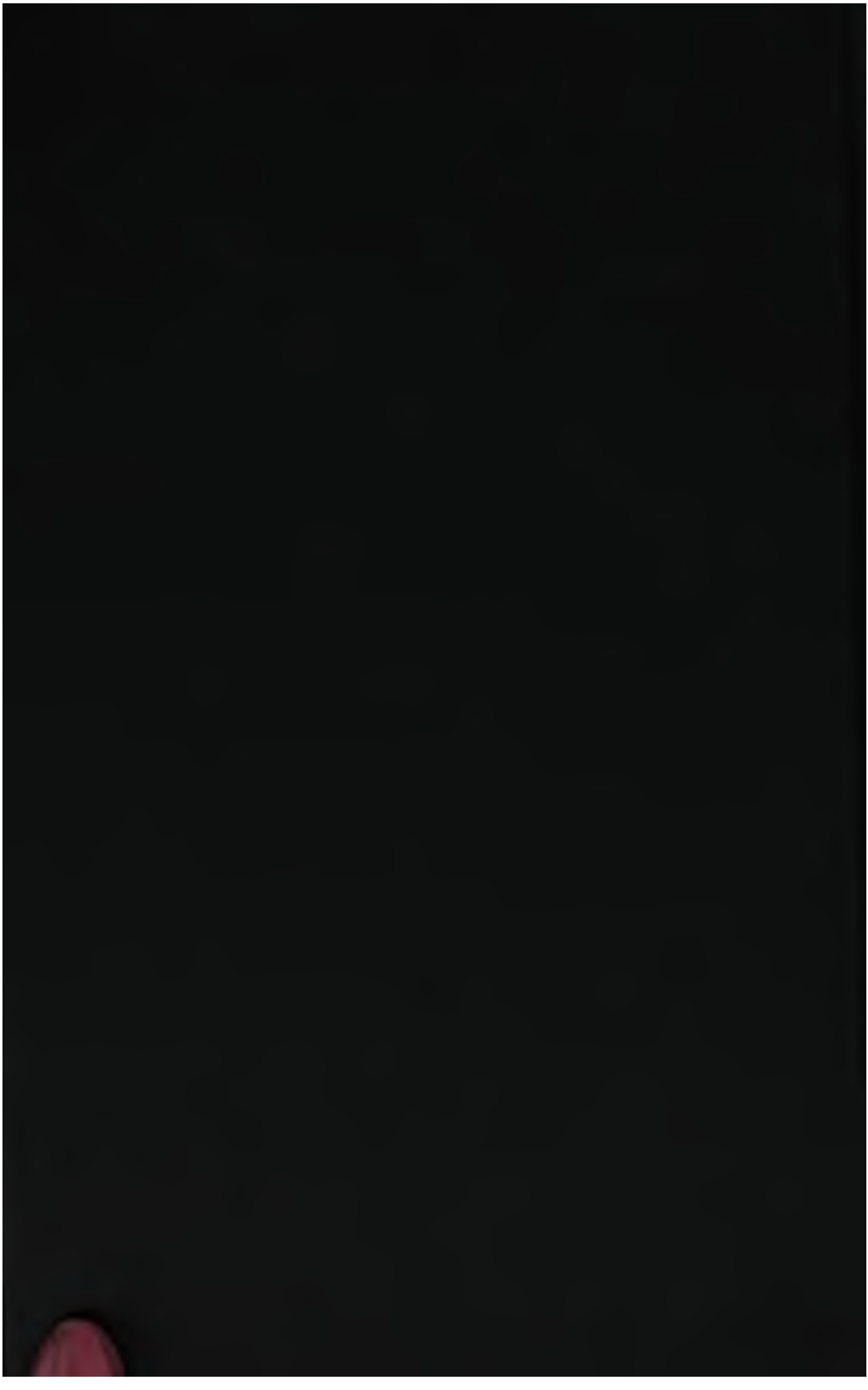
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